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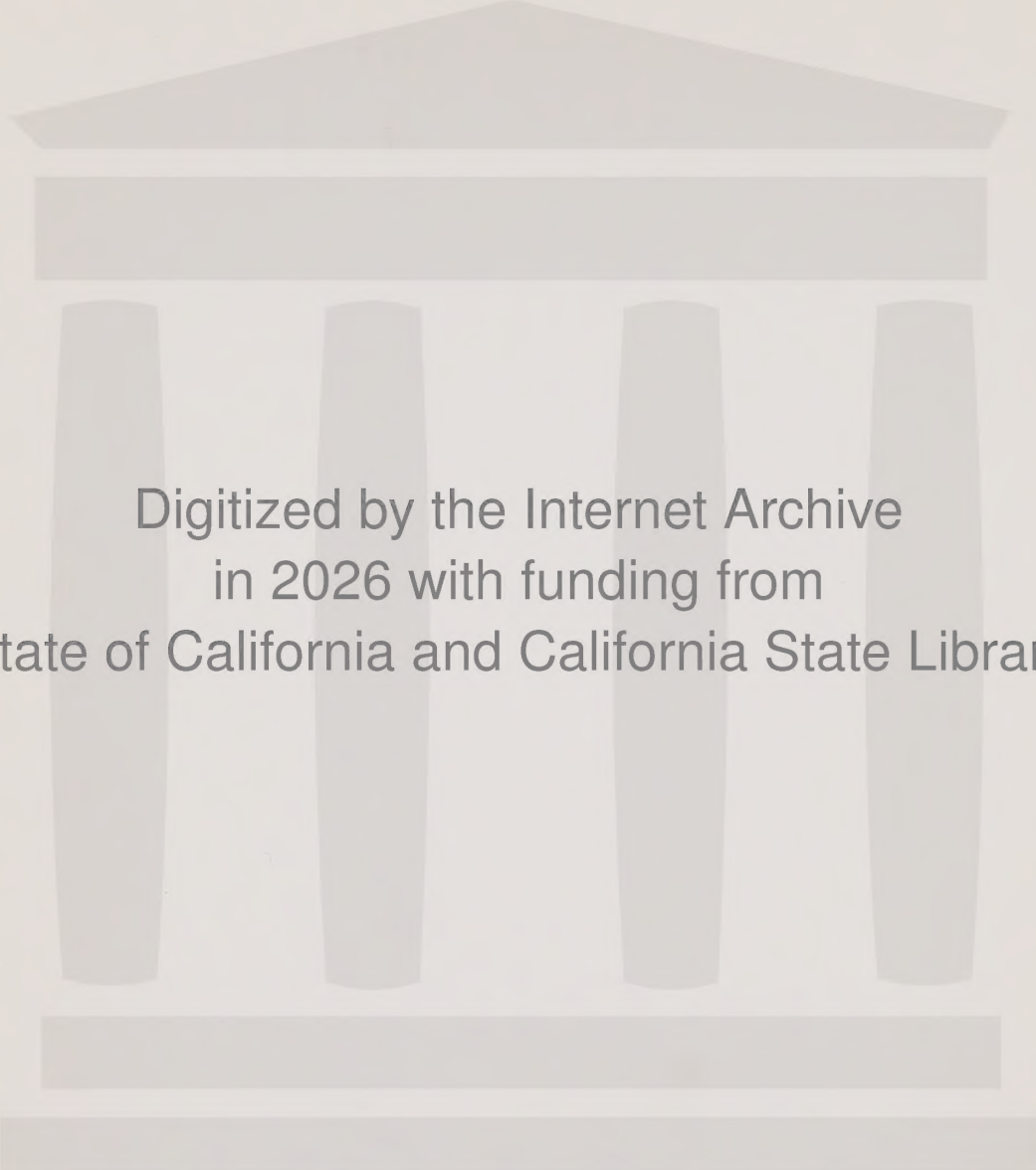
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MAJOR REASONS WHY FAMILIES ABANDON
THEIR GOVERNMENT-INSURED MORTGAGE HOMES

-AND-

HOW THIS PROBLEM IS BEING REMEDIED IN
THE VALLEY ASSOCIATION OF CITIES AREA

(HOUSING ABANDONMENT: REASONS, EFFECTS,
AND SOME SOLUTIONS)

Korpsak, Joseph F., et al
Housing
Ownership
Pomona valley
" "

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Edited by

UNIVERSITY OF CALIFORNIA

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The preparation of this report was financed in part through an Urban Planning Grant from the U. S. Department of Housing and Urban Development, under the provisions of Section 701 of the Housing Act of 1954, as amended.

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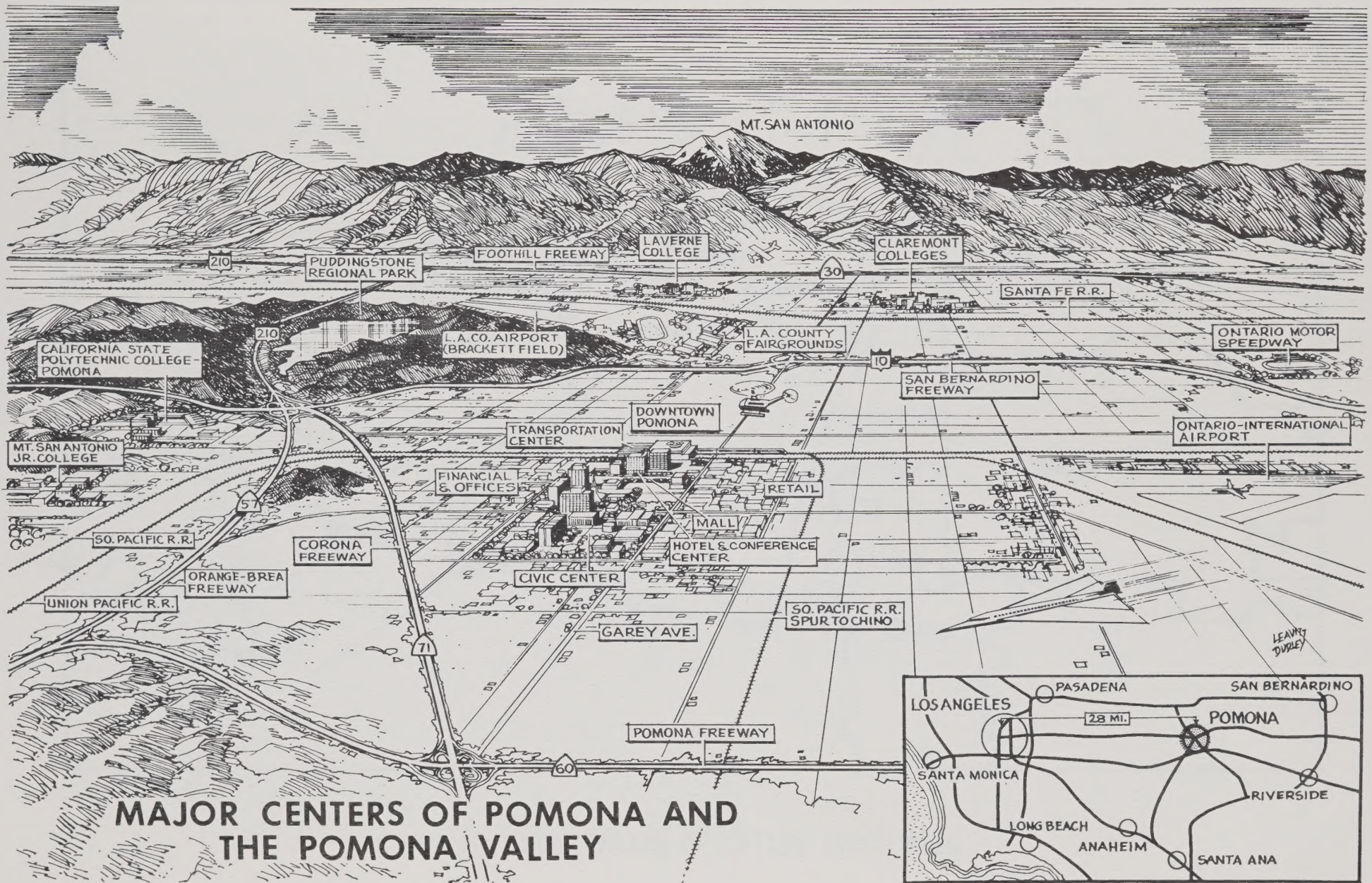
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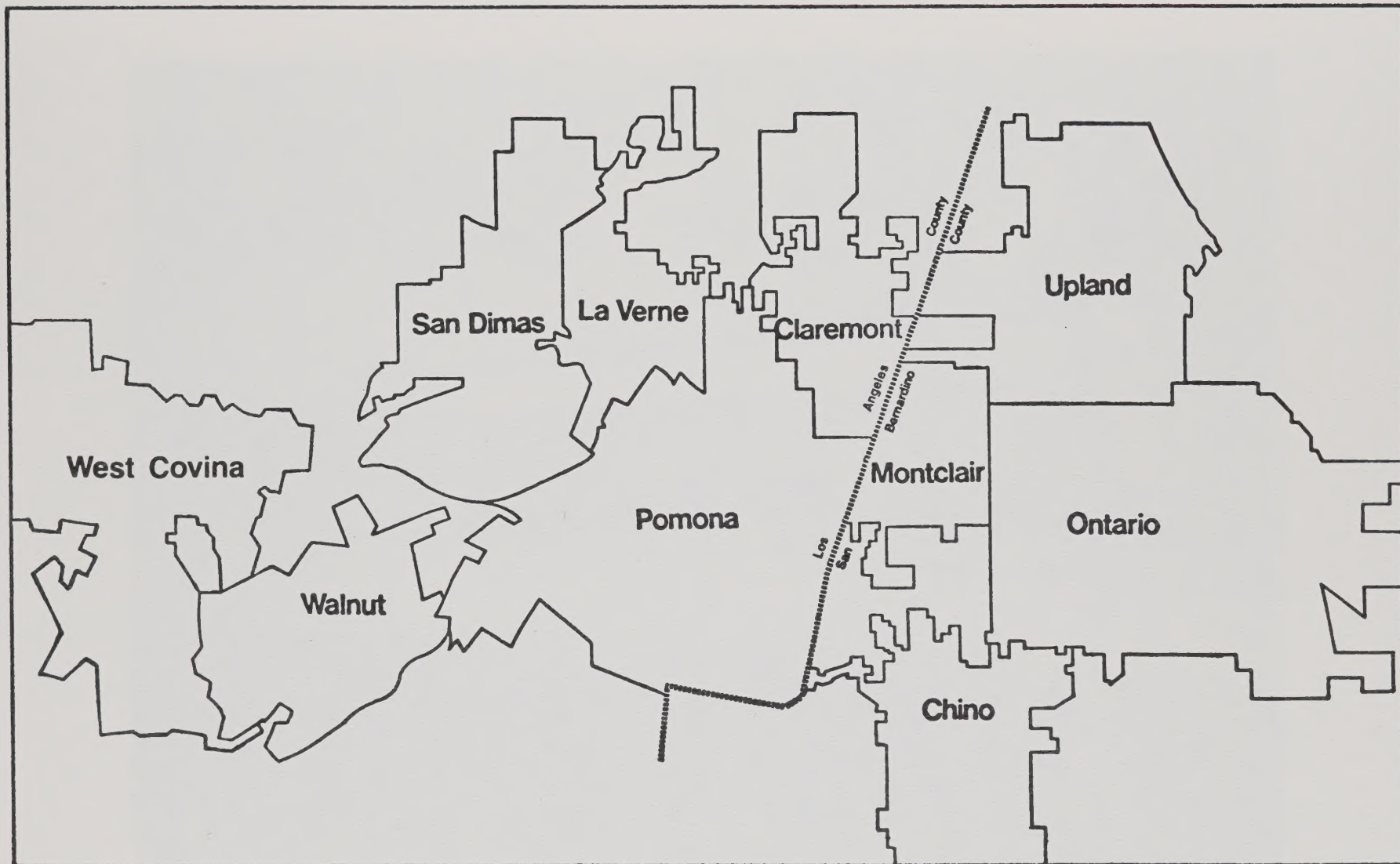
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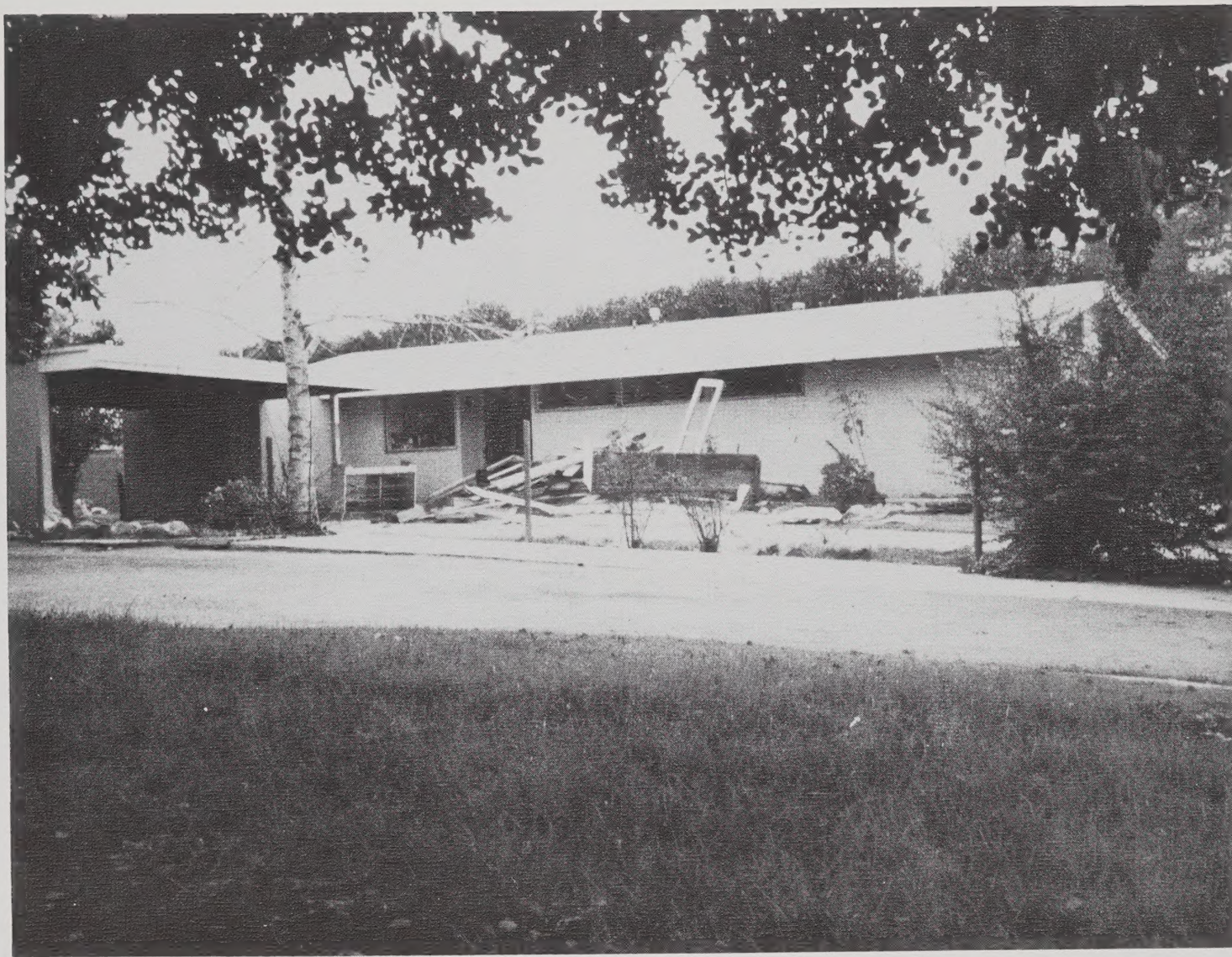
*Report Adopted by the Above Board
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MAJOR CENTERS OF POMONA AND THE POMONA VALLEY



VALLEY ASSOCIATION OF CITIES (VAC) AREA



ABANDONED HOUSE IN POMONA



ABANDONED HOUSE IN POMONA



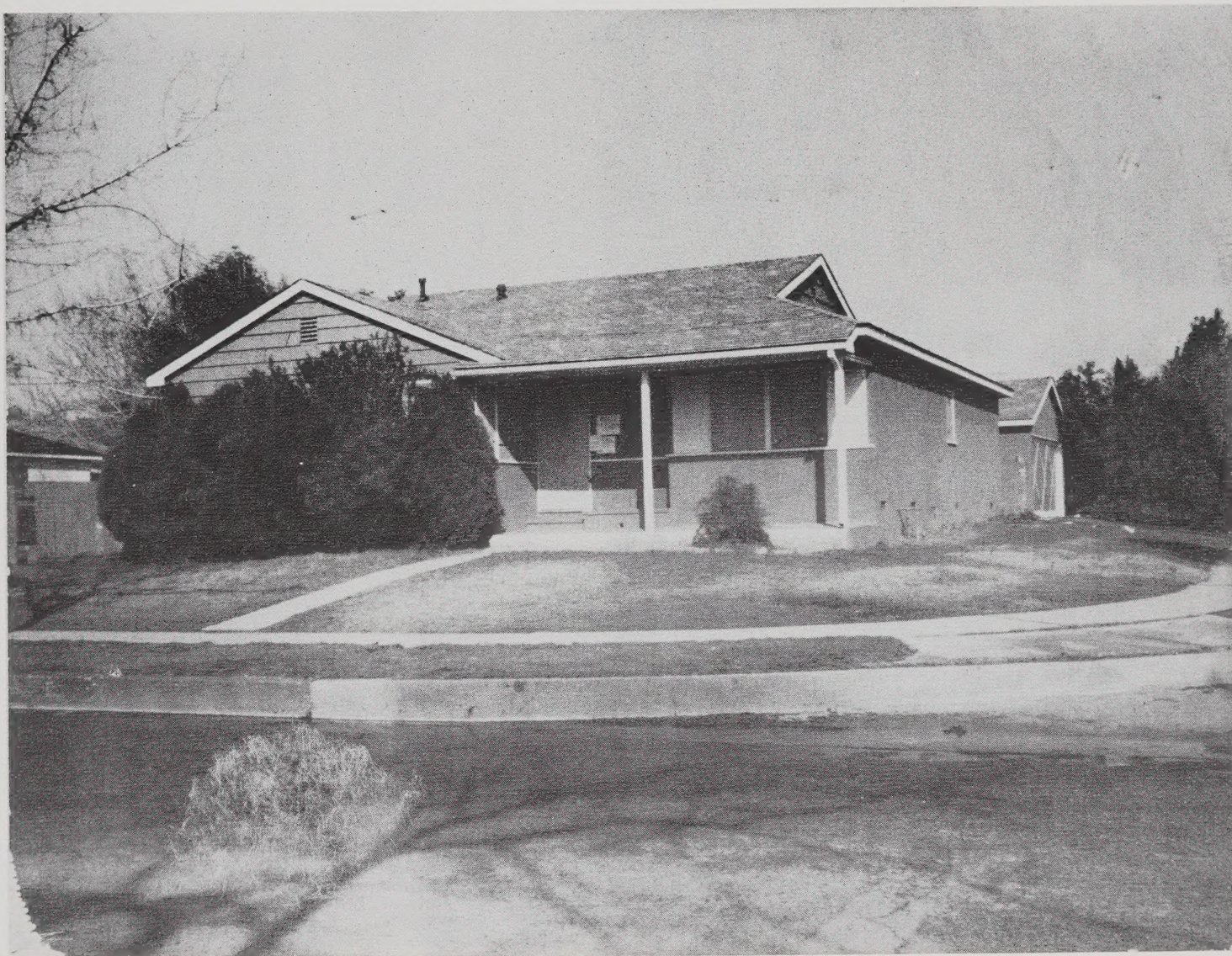
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ABANDONED HOUSE IN POMONA



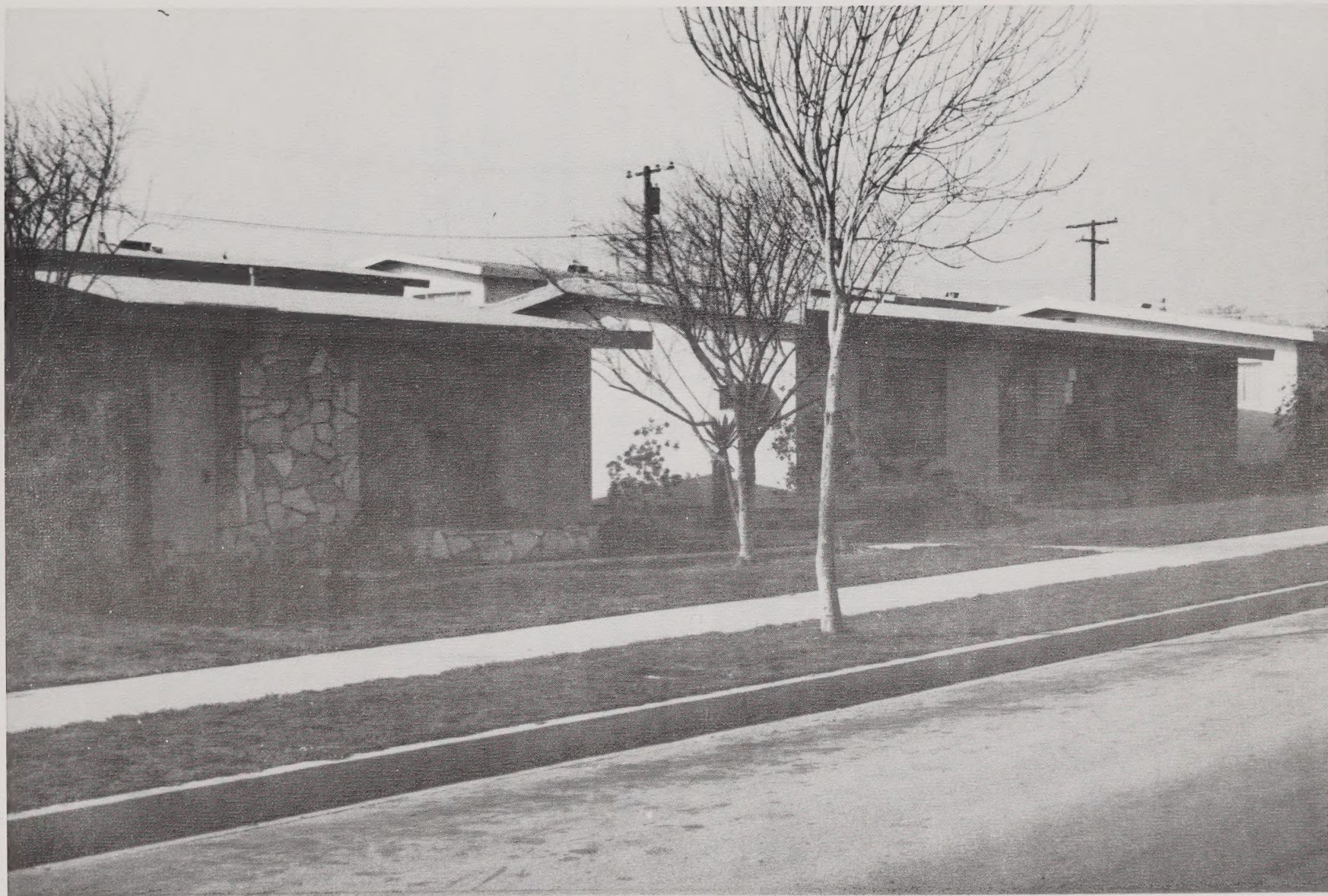
ABANDONED HOUSE IN POMONA



ABANDONED HOUSE IN CLAREMONT



ABANDONED HOUSE IN MONTCLAIR



ABANDONED HOUSE IN ONTARIO

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PREFACE

This report is in partial satisfaction to a HUD "701" Comprehensive Planning and Management Assistance grant to determine the causes of HUD/FHA mortgage insured abandoned housing in the Valley Association of Cities area for the period 1974-75.

For this particular study, abandoned housing or abandonment shall mean the result of a family leaving their once occupied single-family residential house, for reasons to be identified herein, which is a government insured mortgage structure that ultimately reverts to HUD/FHA's inventory of vacant boarded-up, Secretary of HUD-owned housing. Simply restated, abandonment is desertion of a house through mortgage default. For purposes of this report the causes of abandonment will be identified as the result of:

- mortgagor unable to dispose of property
- neighborhood racial and economic transitions
- little mortgage down payments
- remoteness and deficient access of housing tracts
- overbuilding with concentration of low-cost housing near freeways
- white flight as a reaction to transitional move-ins
- burglary and other incidents of crime including vandalism
- lack of adequate recreation and shopping center facilities
- physical maturation which results in structural decay
- blockbusting/panic peddling
- disinvestment
- neighborhood blight and deterioration

- the inefficient administration of HUD/FHA insured and VA mortgage guaranteed loans
- lack of adequate local employment base and a low-skilled labor market population
- extensive job commuting
- excessive percentage of family income spent on housing
- lack of adequate municipal services
- divorce
- unemployment
- high medical expenses
- debts
- consumer fraud
- the uninformed home purchaser in relation to the informed realtor and mortgage lender
- lack of knowledge regarding home repairs, maintenance, budgeting, and institution of anti-burglary measures
- mortgage lenders unwilling to reconstitute delinquencies
- inadequate or no homeownership counseling and instruction

Other reasons for abandonment that are not fully developed in this report could include:

- high operation and maintenance expenses for a home
- excessive code enforcement which comes too late
- increases in local property taxes
- lack of government financing for homeownership counseling
- HUD/FHA mortgage insurance policies and existing legislation

- the long HUD/FHA redemption period of acquired insured houses
- inadequate HUD Area Management Broker maintenance guarantees on the structure purchased during the first twelve month period
- inadequate staffing of HUD offices at the local, regional, and national levels to deal with the causes, problems, effects, preventions, and solutions to abandoned housing
- lack of national, comprehensive, coordinated housing policy and program with special reference to municipal government.

This report also presents a model for reducing and preventing abandonment which can be used by other similarly situated cities which has worked well for VAC, HUD, and its clients.

Finally, it should be noted that the writers of this report are not all paid researchers. Instead, all of them have ongoing day-to-day local government responsibilities in dealing with the problems and solutions to abandoned housing. They are therefore well qualified, having first hand experience in this subject area.

This report continues where the Summary & Recommendation Report of the Greater Pomona Valley Mayors' Action Committee on Abandoned Housing left off. That report was compiled by some pre-VAC staff participants in January, 1974 under a HUD "701" grant. Essentially the VAC mayors got together and determined that the increasing problem of abandoned housing had to be described and its effects revealed. With that analysis and report various recommendations were offered and some subsequently implemented as follows:

- establishment of a Valley Association of Cities
- adequate maintenance of occupied and unoccupied residential properties
- changes in the no down/low down payment provisions of government insured mortgage to establish earlier and significant equity in the property
- homeownership assistance to new home purchasers and those who subsequently become delinquent or in a default position on their home mortgage

-resale or homesteading of abandoned houses as soon as possible by HUD/FHA, VA, and by the lending institution prior to government insured reversion, and

-use of abandoned housing needing rehabilitation under HUD's Section 23 Leased Housing Assistance program.

The report that follows reveals what we have learned, and what we have actually implemented and expanded upon since that time.

Special thanks and credit for this report goes to Carol Way, VAC staff member, and Dave Bess, PH.D candidate, who headed various team efforts in preparing this report.

Also, the editing of this report was assisted by the thorough and detailed reviews by Eleanor Cohen, Councilwoman, City of Claremont; Ray Bragg, Senior Planner, Community Development Department, City of Pomona; and Gene Pester, Community Development Director, City of Pomona.


JOSEPH F. KORPSAK

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JOSEPH F. KORPSAK

INTRODUCTION

ABOUT VAC

The Valley Association of Cities (VAC) is a voluntary organization of city governments created to deal with area-wide problems of abandoned housing, and is organized under a joint-powers agreement among the following 10 member cities:

- (1) CHINO
- (2) CLAREMONT
- (3) LA VERNE
- (4) MONTCLAIR
- (5) ONTARIO
- (6) POMONA
- (7) SAN DIMAS
- (8) UPLAND
- (9) WALNUT
- (10) WEST COVINA

VAC was organized in July 1974, as an outgrowth of the Greater Pomona Valley Mayors' Action Committee on Abandoned Housing which produced an award-winning* publication entitled Summary and Recommendation Report of the Greater Pomona Valley Mayors' Action Committee on Abandoned Housing (The Mayors' Report), financed under a HUD "701" grant.

The Mayors' Report, among other recommendations, contained a recommendation to organize a consortium. This consortium was formed to initially prevent and reduce the number of boarded-up, vacant, abandoned, disinvested, FHA'd, dispossessed HUD/FHA houses in the 10-city area. This consortium, with financing from available grants-in-aid, subsequently became known and now functions as VAC.

**1974 Award of Recognition by the California Chapter, American Institute of Planners.*

THE RESEARCH REPORT

This report is the result of joint efforts to research the problem within the geographic area of the Valley Association of Cities. The report reflects efforts of a summer 1974 research team, as well as those of the VAC staff over the past several months (Spring 1975). The preliminary field research consisted of investigating the various circumstances surrounding abandonment.

Attempts were made to contact those who had abandoned homes in the VAC area, as well as to check existing records related to possible abandonment. Many difficulties were encountered.

. . . The first problem involved attempts to learn the whereabouts of persons who had abandoned properties. They generally do not leave forwarding addresses, and all types of disguises are possible for remaining an "invisible" part of the population--if indeed, they have not left the area.

. . . The second problem was an understandable reticence on the part of those people who were contacted, and who had been involved in abandonment, to discuss it with relative strangers.

. . . The third problem encountered was the general lack of information about the housing market on the part of both the U.S. Department of Housing and Urban Development (HUD) and the VAC cities themselves.

Given these difficulties, the present report reflects statistics and information developed by the VAC staff in the process of its on-going functions and program efforts. It is hoped that in this way present indicators toward abandonment may be used to objectively view the condition as it has previously occurred in the VAC area.

It should be noted that this report reflects the ideas, information and concern of numerous other individuals

who shared their views with researchers and staff to add insight into the problem. These include VAC clients, members of the real estate and lending fields, community and city staff persons as well as representatives from HUD.

And finally, mention should be made that while the report is intended as a focus upon the problem for the entire VAC populations, much of the data reflects upon the City of Pomona. There are two reasons for this. One, it was in Pomona that the problem was first noted, and a greater amount of information thus has been accumulated. Two, the problem of abandonment has been most pronounced in Pomona, comprising over 83%¹ of the original abandoned housing inventory.

¹ Valley Association of Cities (VAC) Estimates (Pomona: December 1973).

VAC'S EFFORTS

VAC's first efforts have been directed toward eliminating abandoned housing in the VAC area. Along with coordinating efforts of the member cities, VAC has established a five-point work program to counter the problem of abandonment. Work items include:

- (1) An early warning system to detect and divert abandonment.
- (2) Counseling for owners facing mortgage foreclosure.
- (3) Resale of abandoned units-facilitating and monitoring sales activity.
- (4) Maintenance-monitoring of abandoned units.
- (5) Research into abandonment.

VAC's Governing Board of Directors consists of City Councilpersons from each of the participating VAC cities. Assisting the Board are two Committees functioning in the areas of Resale Facilitation and Technical Assistance. These committees consist respectively of realtors/lenders and city managers from within the VAC area.

The staff and operating costs of VAC are funded entirely by grants secured by its Executive Officer (part-time) from HUD and CETA (Comprehensive Employment and Training Act).

The goal of VAC from its inception was to facilitate the reduction of the number of HUD abandonments to 200 by December 30, 1975, and to prevent future HUD mortgage defaults and foreclosures.

I. THE PROBLEM

The housing abandonment problem as it relates to single-family residences is a relatively new one. The result of excessive construction after World War II to house returning veterans, as well as an increase in government insured guaranteed mortgages, paved the path to opening the door of the great American dream--a home.

Typically, housing abandonment has been related to multi-family tenement-type settings common in the Eastern portion of the United States. Here the vision is one of deteriorating tenements in the central city...a situation so bleak that slum landlords stop collecting rents because these rents do not cover the high costs of property taxes, maintenance, and operating costs. Instead, the investment is abandoned and the property allowed to revert back to the mortgage holder or to the local government for non-payment of taxes.

This picture does not apply to the cities in the VAC area. Consequently, it is necessary to view the situation here by comparison to determine to what extent the traditional pattern of abandonment relates to the present problem here within the VAC area.

Some of the major differences between the two are:

<u>Typical Situation</u>	<u>VAC Situation</u>
1) central city setting	1) suburban setting
2) apartment dwellings	2) single-family homes (predominantly)
3) rental tenants (absentee landlords)	3) owner-occupied units
4) tax delinquency	4) mortgage default

Some of the similarities which affect both situations are:

- 1) soft market conditions in which the owner is unable to dispose of the property by conventional means, i.e., selling it

- 2) physical deterioration and the neighborhood blight of abandoned vacant dwellings which present problems to health and safety and breed vandalism and crime in these locations.
- 3) social-economic and racial transitions of the residents within these neighborhoods.

Various reports indicate that there were approximately 7,000 abandoned units as of January 1, 1974, in the Los Angeles County area. The majority of these are HUD-insured loans which have been foreclosed upon. At the inception of this report, July 1974, there were approximately 1,286 abandoned units in the VAC area,² of which approximately 747 were HUD/FHA, 237 VA, and 307 other.

These figures reflect a trend towards abandonment of a few multiple-dwelling units as well. The housing abandonment problem has become one of national concern because of its snowballing effect. Complications of the problem are not confined to the actual vacant dwellings themselves, but are shown to have all types of deleterious effects upon surrounding homes and neighborhoods as well. Its potential for expansion within a given area has become swiftly evident in typical central city settings. Its rather new occurrence in local suburban cities surrounding these areas merely indicates another phase in its ability to spread.

It should be noted that it is not known how well these figures (page 13) reflect the total number of all mortgage loans for this given area versus those in default. Such information is vital if any conclusive statements are to be made regarding the extent of the problem in the VAC area. As yet such statistics have been unattainable from HUD, the Veterans Administration (VA) or private conventional lenders.

The loan programs reflected in the following section each serve a different socio-economic group. To more fully understand the statistics of the problem an explanation of these programs follows:

- a) Section 203b - authorized in 1934 is the basic home ownership program of the federal government. It is the program which is usually credited with making it possible for the United States to become a nation of homeowners.

2 Ibid.

Section 203(b) is also considered a low risk program for the mortgagee and was designed basically to serve middle income families. Over the life of the program almost 9 million homes have been insured nationally. Typically a buyer makes a down payment (3% of the first \$25,000, 10% of the next \$10,000, and 20% of any amount over this to a maximum loan of \$35,000 for single-family residences and \$45,000 for multi-family residences), and pays an interest rate regulated by HUD which approximates that available on the conventional market until recently payable over a thirty-year period. As of April 1, 1975, in the VAC area these homes accounted for 26% of the HUD inventory.

- b) Section 221(d)2 - began in 1961 to serve the needs of low and moderate income families. It is designed as a high risk program and calls for a cash output of 3% for closing costs. It is a common misconception that the 3% is applied to the principal when actually the loan value ratio is 100 percent of the FHA's appraisal. Through 1970 almost 500,000 such loans had been insured by HUD nationally. As of April 1, 1975, this program accounted for 62% of the abandonment in the VAC area. The irony of these statistics is that FHA's original intent when implementing this program was to aid in the elimination of slum and blighted areas and to prevent the deterioration of residential property when in fact it appears it had the reverse effect in most areas.
- c) Section 235 - under Section 235, subsidized assistance payments are made to bring the monthly payments of a mortgagor down to a level which will make it possible for a very low income family (e.g., one who otherwise would not qualify to buy a home) to afford desirable housing. The interest rate which the purchasing family pays may be as low as one percent in order to bring the payment down to less than twenty percent of the family monthly income. The payment includes principal, interest, taxes, insurance, and mortgage insurance premium. The Secretary of Housing and Urban Development makes periodic payments to the mortgagee for the amount in excess of the twenty percent of amount paid by the purchaser which might be needed to retire the loan within the period described. It's also significant to note that Section 235 units

comprised only 11% of the HUD inventory as of April 1, 1975, in the VAC area. This is probably due to the assistance payments made in behalf of the mortgagor. The Section 235 program has been an object of concern in the VAC area (see Appendix A for further details).

Analysis of the housing abandonment problem is easy prey to typified statements of the characteristics of its physical impact upon surrounding neighborhoods and cities. A more effective approach involves consideration of those economic and social influences which are inherent in the physical symptoms of the abandoned house. The abandonment problem is more than a problem consisting of a number of boarded-up houses. Its related effects include:

- . loss of income-producing revenues to governments, merchants and realtors;
- . loss of investments related to costs of maintaining these abandonments by HUD;
- . additional accrued costs to local governments related to policing, fire protection, and general deterrence against blight.

Ironically, the cost of maintaining a HUD abandonment may often be equal to, or more than the mortgage payment on a low-to-moderate price home when it is occupied.

Following is a cost breakdown of such maintenance for one (1) HUD abandoned house:

- (1) a loss of income-producing revenues to government, merchants, and realtors;
- (2) a loss of investment related to costs of maintaining these abandonments by HUD in the amount of approximately \$7.40 a day, plus costs for initial board-up (\$200), vandalism (\$500-\$10,000+), resale (\$1,000-\$3,000); HUD mortgage insurance fund (went itself into a "delinquency" low cash reserve recently);
- (3) additional costs accrued to local government as relates to policing, fire-suppression, and a general blighting effect. The typical cost to all on an abandonment for a period of 12 months, which is not until recently untypical, would be on the average as much as \$20,364 on a \$30,000 single-family market value residence.

II. THE PERSPECTIVES - PHYSICAL INFLUENCES

*The physical structure of any city is made up of its buildings, land and community facilities. In order to plan effectively for the future development of a city, it is necessary to assess the quality of these systems in both their present and potential levels of performance.*³

The aspects of planning which play an important role in the housing conditions of the VAC area are the type of construction of single-family residences and sudden influx of low-to-moderate income families. When examining the VAC area, it clearly shows massive tracts of single-family homes which are generally located on the outer fringes of the cities.

For example, in the City of Pomona, the most recognizable area in terms of physical separateness would be Kellogg Park I and Kellogg Park II. (See Figure 1 pg. 6, areas A & B respectively.) These areas, although adjacent, are separated by a flood control channel and are only accessible by one or two main streets, as are most similar areas in Pomona. Although both of these areas are only accessible by one street to the east, Kellogg Park I has another entrance to the west or rear of the tract.

THE EFFECTS OF PLANNING

As of April 1975, the Kellogg Park Area I had approximately 426 dwelling units of which 73 were vacant; of this number 54 were held by HUD and 19 belonged to VA. This raises the interesting question as to the role planning has had in the abandoned housing problem. This particular problem may be viewed two ways. One, it could be a planning design as a luxury for the residents to have limited entrance and exit facilities. This would limit traffic within the area and somewhat isolate these residents from other areas of the city. And two, perhaps the inaccessibility was an oversight on the part of the developers and planners. In any case, the residents of this area must confront the problem daily.

³ *City of Pomona Profiles Volume I (Pomona: December 1973), page 29.*

CITY OF POMONA, CALIFORNIA

- A = KELLOGG PARK AREA I
- B = KELLOGG PARK AREA II
- C = CHERRY HADLEY TRACT
NORTHEAST POMONA
- D = J. C. PARK
- E = PALOMARES PARK

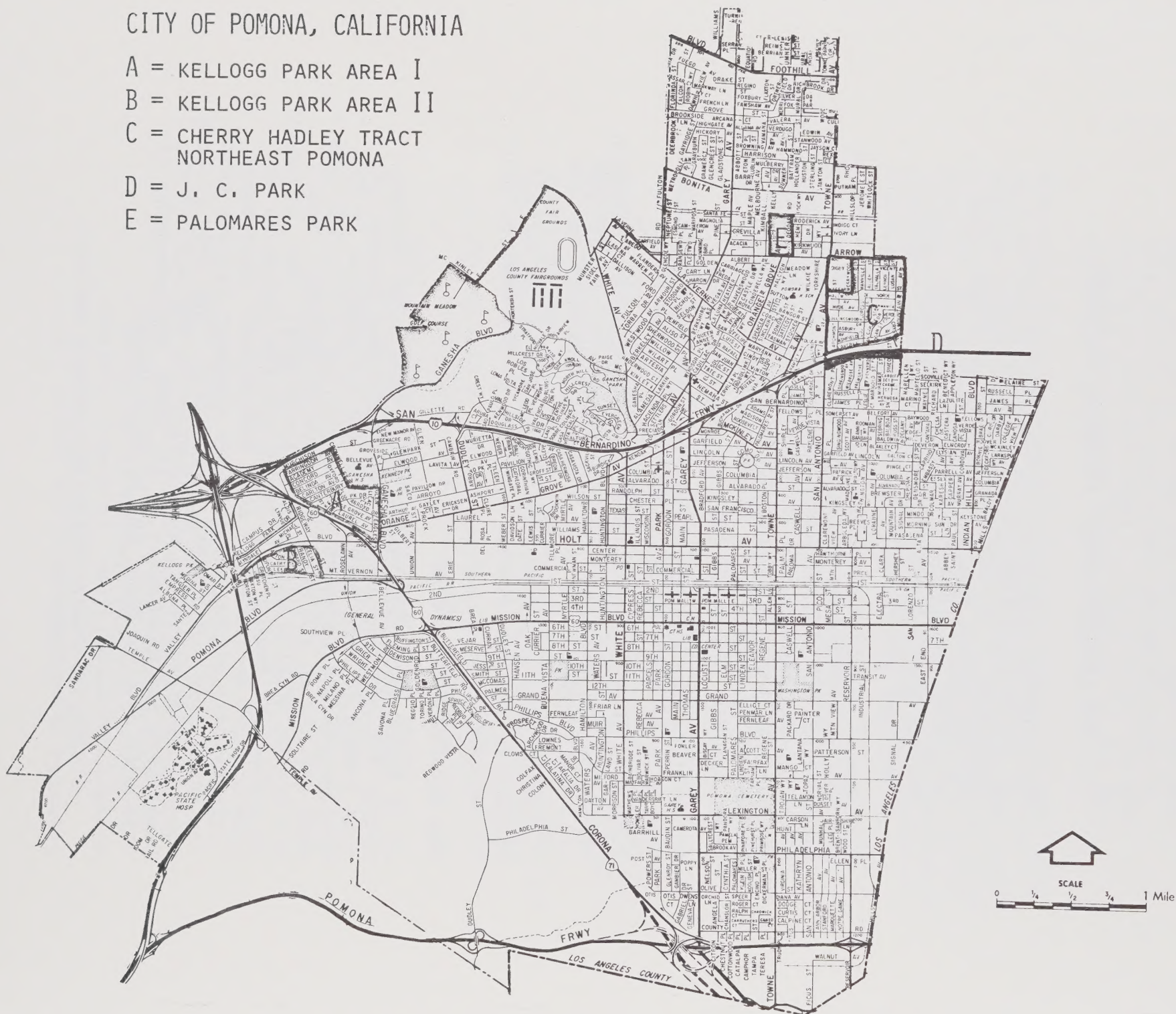


Figure 1, Map, City of Pomona

THE IMPACT OF FREEWAY

The Kellogg Park II area is geographically smaller and has fewer dwelling units and less population; however, it seems to be more secluded than Area I. Area II had 51 vacant units; 47 HUD, and 4 VA as of April 1, 1975, out of a total of 236 units.

An interesting characteristic of these areas (*Kellogg Park I and II*) is that they are completely surrounded by either freeways or main artery streets. Directly to the southwest of the two tracts lies the Corona Freeway; and to the northwest lies the San Bernardino Freeway, which is the main route for Los Angeles commuters from Claremont, North Pomona, Montclair, Upland, Ontario and other western San Bernardino County cities. Ganesha Boulevard, which lies directly to the east, is a main artery connecting the Corona Expressway with the San Bernardino Freeway (eastbound).

THE RESULT OF SOCIO-ECONOMIC INFLUX

Northeast Pomona, also known as Cherry-Hadley, a housing tract on the eastern end of the city, is another area consisting of similar problems. (*See Figure 1, page 6, Area C.*) Like the Kellogg Park areas, this section has undergone a drastic racial change within the last 15 years. In 1960 the area was over 90% white. Adjacent to a once profitable shopping center, today this area is over 90% black and the shopping center has since been vacated. This area has approximately 121 abandoned dwelling units as of April 1, 1975, out of a total 728 units.

Why has this area changed to such a large degree in a relatively short period of time? Perhaps this question will never be answered completely, but influencing factors can be identified. One influence was the availability of low-cost housing in the mid-sixties. Another was the completion of the San Bernardino Freeway, resulting in easier access to downtown Los Angeles. During this period there was a push by metropolitan city dwellers to migrate to the suburbs, and one place was Pomona. Due to its proximity to the San Bernardino Freeway and the availability of low-income housing, Pomona was a prime location for the lower-income suburban seekers.

Housing values in northeast Pomona have not appreciated during the decade (1960-70) relative to the rest of the city. The median value of owner-occupied units in 1960 was higher than that for the city (\$14,000 compared to \$12,700 for Pomona), but by 1970 median value in the area was only

\$16,400 while in the rest of the city the median was \$17,200. In other words, median housing value in the tract did increase by 17% during the decade, but not nearly as much as values for the city as a whole, where it increased by over 35%.

When the first minority families moved into this area, whites suddenly began to move out, thus making available to minorities an opportunity to acquire the vacant housing. Once the shopping center was vacated a few years later shopping facilities and commercial businesses sprang up along Foothill Boulevard, approximately one mile north of the abandoned shopping facilities on Arrow Highway and Towne. Is this because the new location is in Claremont? Some say it was the overwhelming number of minority immigrants who "shop-lifted" the facilities into obliteration and bankruptcy. Some say the minorities are financially unable to support such a shopping facility due to their relatively low incomes.

Looking at the area from the perspective of planning, we recognize the influence of accessibility of entrances and exits, heavy traffic and recreational facilities. This area, like the Kellogg Park areas, is difficult to enter or exit. The physical boundaries on each directional side of this area are basically served by one main entrance.

Highway traffic in this area is a great problem. This traffic contributes heavily to the noise problem common along freeway boundaries. Residential property value usually declines as a result of nearby or adjacent freeway construction. In this respect, state and local planners could more effectively coordinate planning efforts to bypass construction which lends itself to the process of neighborhood decline.

Recreational facilities designed to serve residents are inadequately situated to meet the needs of the area. A local park known as Junior Chamber Park is a three-acre strip of land running along the opposite side of the freeway from the Cherry-Hadley Tract. (*See Figure 1, page 6, Area D.*) Although Palomares Park, a large community size park is not too far away, the geographical boundaries of the area and the consequent elements of social isolation result in this park seldom being used by the residents of the Cherry-Hadley Tract.

THE INFLUENCE OF THE ONTARIO AIRPORT CONSTRUCTION

The City of Ontario has undergone changes within the last twenty years, a notable change agent being the Ontario Airport. During its construction, city officials felt the airport would bring prosperity to the area. The city planners saw Ontario as a rapidly growing community with industry flocking to the area close to the airport, projecting that Ontario would become the Los Angeles International Airport of the Eastern end of Los Angeles County.

Construction of the airport caused only minimal relocation for families compared to other airports in Southern California. Site selection of the airport is noteworthy in view of its being located in an area which does not conflict with city life and is within easy access to the two main freeways (San Bernardino and Pomona) in the Pomona Valley.

Ontario, it appears, has experienced a more orderly growth in terms of construction of homes. Comparison of the two cities shows that Ontario did not undergo a vast over-building period as Pomona. Ontario, at the time of the overbuilding, was not considered a "suburb" like Pomona, probably because Pomona is closer to the industrial center, with easy access to and from Los Angeles. During this period of time, late fifties through the mid-sixties, Ontario was considered the "country". Another major difference, and one which represents a psychological barrier, is that Ontario is in San Bernardino County and Pomona is in the County of Los Angeles.

The abandonment problem is not as great in Ontario as it is in Pomona. Ontario approximates the land area of Pomona, but its housing is not as clustered or as concentrated as housing in Pomona. Ontario has 24 HUD vacant units and Pomona has 257 as of April 1, 1975. One reason may be that Ontario has not experienced a drastic change in its racial composition and has, therefore, not had as great a turnover.

THE PROCEDURAL CITATIONS

In a recent HUD publication it was noted that abandonment does not just happen, but it is a five-step process. These steps identify the changing processes a family encounters. The first of the five steps is physical maturation, "...the process of decay and change in building types and neighborhoods. The key variables in the physical maturation process are age, quality, condition, type of building and neighborhood environment." ⁴

The VAC cities with the highest degree of abandonment can be factors of this process. Again, Pomona is a prime example. The age factor may not play as important a role as the other factors for the city; however, Pomona experienced a massive housing construction boom in 1963 with about 1700 new construction starts. The quality condition of construction is reflected in the median market value of \$14,700. Sixty-two percent of these structures were multiple units. From 1965 through 1970 some 960 units were constructed in Pomona, 63% of which were multiple units. These developers took advantage of the remaining vacant land zoned for multiple family structures due to the scarcity of similarly situated land available for single-family structures. Although over half of the housing built in Pomona between 1960 and 1970 was multiple units, as of 1970 seventy-three percent of the city's total housing stock was single-family dwelling units. ⁵

The second major process which may lead to abandonment is racial change.

While more research needs to be done on why one neighborhood reacts differently to racial change than another, almost all the literature on abandonment has identified racial transition as a major process associated with abandonment. ⁶

For the purposes of this report the Cherry-Hadley Tract northeast section would be ideal to examine. There are several reasons why a neighborhood is likely to change racially. Low-income and minority families are usually attracted to an area for its housing, particularly the

⁴ Housing Urban Development Department HUD Experimental Program for Preserving Declining Neighborhoods: An Analysis of the Abandonment Process (San Francisco: Public Affairs Counseling Division of Real Estate Research Corporation, 1974), page 8.

⁵ Profiles Vol. I *op. cit.* page 29.

⁶ HUD Experimental Program for Preserving Declining Neighborhoods: *op. cit.* page 16.

housing cost, its location in regards to accessible mobility and schools, shopping facilities, or those elements they perceive as "upgrading" their standard of living. Traditionally, older areas are more susceptible to change than the newer areas because the age of families and household composition changes; or as income prospects increase, there may be a desire to move to a better neighborhood, creating vacancies which for the most part, are cheaper to purchase than newer homes in other areas.

It should also be noted that in the mid-1960's, the Watts Los Angeles riots occurred and the federal government encouraged minorities to move to the suburbs. During the period between 1960-1970, Pomona's overall population increased by 20,227 and its minority population increased from 7,000 to 18,000. This new population encouraged by liberal government insured and guaranteed home mortgages secured many of the home vacancies that occurred and in 1970 a higher percentage of black families "owned" their homes in comparison to white families.

Natural patterns of migration may be accelerated by deliberate means such as "block busting" where unscrupulous real estate practices are performed. For example with the black population, a classic situation has been one of realtors panicking the white residents into selling their properties at a reduced rate compared to the market value, utilizing fear of racial transition. They then sell these houses at higher prices to in-migrating middle-class blacks. What originally was fear soon becomes fact and sets the stage for the remainder of the neighborhood.

Although evidence of blockbusting is apparent, it is not itself the only cause of abandonment. The age of the household, presence of children and source of income are also believed to be influential in determining the rate of racial change.

As an area becomes racially mixed the number of whites moving in is less than the number of blacks immigrating. As the racial change proceeds and the black proportion in the neighborhood reaches a majority, a different set of factors is set into motion.⁷

There are just not enough middle-class blacks to sustain the neighborhood, and, consequently, avenues are opened for the in-migration of lower-income blacks. Once the

7 *Ibid.* page 17.

racial process reaches this far the only whites remaining, for the most part, are elderly. However, a short time later they tend to move. With a racial transition process comes a temporary vacancy factor. At this point investors purchase the vacant properties at a reduced rate and sell at a higher rate to the in-migrating lower-income blacks. As racial change continues many of the middle-class blacks begin to move, fearful of the future of the neighborhood in terms of increasing numbers of lower status blacks.

The area in these last stages of racial transition becomes one of predominantly low-income blacks.

*"The multi-problem welfare family and large numbers of children place higher than normal pressure on maintenance costs."*⁸ These and other pressures complicated by economic problems work together to constitute the third stage in the abandonment process, namely some type of conflict. It is usually at this point that vandalism first occurs to a significant extent, paving the way for other forms of criminal activity.

During this same time there is a noticeable *"decline in the prevailing social and economic resources available to residents."*⁹ Such lack of resources directly leads to the fourth stage, waning confidence and interest in the area on the part of private and public institutions. Such waning confidence and interest encourages and reinforces social conflict, ultimately leading to the fifth and final stage in the abandonment process - disinvestment. *"Disinvestment occurs when private and public resources are gradually withdrawn from an area."*¹⁰ Disinvestment is especially critical because it usually identifies an area in which neighborhood blight and deterioration are irreversible. A "disinvested" neighborhood is characterized by the following:

- 1) lack of play areas for children
- 2) noise
- 3) robberies and crime
- 4) dirty streets
- 5) condition of other housing in the area
- 6) lack of neighborhood shopping¹¹

8 *Ibid.*

9 *Ibid.* page 8.

10 *Ibid.* page 20.

11 *Ibid.* page 24.

THE STATISTICAL CITATIONS. WHERE ARE THE ABANDONMENTS?

Abandoned units were first noted in Pomona in a special survey in 1971. At that time 31 vacant, boarded-up homes were noted in Pomona. Since that time the problem has grown and spread in various cities in the VAC area. By December 1974, Pomona's HUD abandonment problem had grown to 823. Also the other VAC cities noticed properties being vacated and this contributed to the formation of the Valley Association of Cities.

The table following shows the number of vacant homes in the VAC area at its highest points of incidence.

TABLE I

TOTAL ABANDONED UNITS IN THE VAC AREA*

<u>City</u>	<u>December, 1973</u>	<u>July 1, 1974</u>	<u>Number</u>	<u>Percentage Of Change</u>
Chino	5	9	+4	+ 80.0%
Claremont	30	29	-1	- 3.3%
La Verne	2	11	+9	+450. %
Montclair	45	35	-10	- 22.2%
Ontario	50	61	+11	+ 22.0%
Pomona	823	980	+157	+ 19.0%
San Dimas	28	28	-0-	-0-
Walnut	7	8	+1	+ 14.3%
West Covina	N/A	119	N/A	N/A
Upland	<u>3</u>	<u>6</u>	+3	+100.0%
	993	1,286		

*Source: VAC Estimates

Key: N/A = Not Available or Unknown

Note that two cities experienced a decrease in the number of abandoned units between December 1973, and July 1974, while others increased. Pomona, with an increase, had the largest change in the number of units. The increase for the entire VAC area was somewhat inflated by the VAC inclusion of West Covina in the July 1974 information. Taking the cities for which information is available both times, the total increase is from 993 to 1,167.

The following table shows what kinds of loans have resulted in abandonment in the VAC area. A majority (almost 60%) are insured by the U. S. Department of Housing and Urban Development (HUD). An additional large number (almost 20%) are insured by the Veterans' Administration (VA). These statistics in themselves may not be significant without knowing the total number of government-insured loans in relation to the total number of private conventional mortgage loans.

TABLE II
TYPES OF REPOSSESSIONS IN THE VAC AREA

July, 1974

<u>City</u>	<u>O W N E R</u>			<u>Total</u>
	<u>HUD</u>	<u>VA</u>	<u>Other</u>	
Chino	7	0	2	9
Claremont	19	5	5	29
La Verne	9	2	0	11
Montclair	23	12	0	35
Ontario	48	13	0	61
Pomona	560	120	300	980
San Dimas	20	8	0	28
Walnut	6	2	0	8
West Covina	49	70	0	119
Upland	6	0	0	6
TOTAL VAC AREA	747	232	307	1,286
				(100%)

Source: VAC Estimates

Note: "Other" includes such mortgage loans as homes held by lending institutions (not under federal insurance) and homes which have had the federally-insured loan foreclosed by the lender, but which have not passed into control of the appropriate federal agency at the time.

The following Table III illustrates the reduction of abandoned vacant houses in the VAC service area. Note that the time span for this reduction is July 1974 through April 1975.

TABLE III
COMPARISON OF REMAINING ABANDONMENTS*

	HUD	VA	OTHER	TOTAL
Chino	2	0	1	3
Claremont	2	4	0	6
La Verne	6	0	1	7
Montclair	1	5	1	7
Ontario	24	3	0	27
Pomona	257	34	177	468
San Dimas	2	1	1	4
Upland	0	0	1	1
Walnut	1	2	0	3
West Covina	<u>7</u>	<u>16</u>	<u>1</u>	<u>24</u>
TOTAL VAC AREA	302	65	183	550
(April 1975)	(54.9%)	(11.8%)	(33.3%)	(100%)
July 1974	747	232	307	1,286
December 1973	N/A	N/A	N/A	993

*Source: VAC Estimates

Key: N/A = Not Available or Unknown

When examining Tables I, II and III it can be seen that since VAC's active functioning (July 1974) a dramatic decrease of vacant housing has occurred to April 1975. The VAC area shows a reduction of 736 properties for a ten-month period. Also in relation to VAC's dramatic turn-around in comparison to Pasadena, Compton, Los Angeles (Watts-Willowbrook) the VAC experience is unsurpassed. Description of this HUD-financed "model workable program" will be related to a little later.

It must be noted that the VAC area is not the only area suffering from the abandonment problem. When comparing other Southern California cities outside the VAC service area with the VAC area, the abandonment problem is greater in terms of the number of abandoned units comparable with the overall number of housing units. (*See Table IV, page 17.*)

Comparing Pomona and the other VAC cities separately to Compton, Pasadena and one area of Los Angeles, Pomona had the second highest percent of vacancies in July 1974. This, however, was 57% of Compton's which was the highest. The other VAC cities had the lowest percentage of vacancies.

The percentage of reductions in vacancies from July 1974 to March 1975 was greatest in the VAC area with Pomona second. The percent of reduction in Pomona was more than double that of Compton which was lowest.

Los Angeles Area I is the same size as Compton using the number of housing units in the area for comparison. In July 1974 the percentage of vacancy in Area I was almost one-third that of Compton. The reduction rate over the past nine months was 14% higher. This compares with the percent of difference between Pomona and the other VAC areas. The difference between Area I and Compton seems to be that Area I is now stabilizing from its upheaval and the problems are moving south into Compton.

The high rate of reduction of vacancies for Pomona and the VAC area may well be due to the pressure VAC has put on HUD and cooperation received to list houses for resale and having bid openings in Pomona. Compton is now having bid openings there so we may see the rate of reduction increase for that city.

TABLE IV
COMPARISON OF VAC WITH OTHER SIMILARLY SITUATIONED AREAS*

HUD PROPERTIES	**LOS ANGELES AREA 1	COMPTON	PASADENA	POMONA	(9 CITIES) REST OF VAC AREA
Vacancies July 1974	407	981	203	560	187
% Against the City	1.82%	4.45%	.43%	1.93%	
Vacancies March 1975	268	776	117	320	63
% Against the City	1.20%	3.52%	.24%	1.10%	
Reduction - Number	139	205	86	240	124
" - Percentage	34.15%	20.89%	42.36%	42.85%	66.31%
Number of Dwelling Units in Area	22,300	22,000	47,100	28,900	77,765

*Source: HUD Area Manager's Estimates

** This particular area is better known as the Watts-Willowbrook District

III. WHY THE VAC ABANDONMENT INVENTORY HAS BEEN SIGNIFICANTLY REDUCED

The number of FHA abandonments in the VAC area has been significantly reduced from July 1974 to April 1975 due to VAC, through its participating cities and public officials, focusing its attention on the problems of abandoned housing by setting up a five-point plan to:

- . reduce the number of abandoned houses to 200 or less by December 30, 1975
- . prevent future mortgage foreclosures and defaults

This plan includes:

1. making referrals on these properties for maintenance and security to HUD's local area management brokers
2. providing homeownership counseling to families who become delinquent on their mortgage payments
3. resale facilitation of these abandonments
4. surveillance and accurate inventories of these abandonments
5. conduct ongoing research on the causes, effects, and solutions to abandonment in order that corrective measures can be instituted.

Some of these corrective measures include:

- A. Providing job-finding services to VAC clients who lose their jobs
- B. Having abandonments utilized under the HUD Section 23 program for rehabilitation and occupation
- C. Developing model ordinances which will deal with the alternatives to abandonment such as urban homesteading

- D. Restricting bulk resales of HUD "as is" properties to speculators
- E. Inquiring into questionable selling and qualification practices with the proper authorities
- F. Meeting with local realtors and lenders to facilitate the resale of abandonments and to prevent the foreclosures of existing delinquent mortgages
- G. Supporting state/federal/local legislation which will prevent abandonment
- H. Conferring with HUD and VA officials at the local, regional and national level for financial and administrative support in assisting VAC functions described above.

Resale of these abandoned properties is completed by HUD who is the actual owner. The fact that these properties can be resold faster than new HUD foreclosures will result in a reduction of their inventory in the VAC area. The sales have been on an individual basis, either in an "as is" unrepaired condition for all cash or in a rehabilitated condition with HUD-insured mortgage commitments.

The effect of these resales, while reducing the HUD inventory, will need to be the subject for a forthcoming inquiry to determine possible recycling into abandonments and possible abusive-speculative practices by private investors.

The reason for this proposed future research is to examine why, in a recent survey conducted in the VAC area, only one out of four HUD/FHA resales were occupied.

Finally it should be noted that this joint VAC/HUD success in reduction of inventory and prevention by counseling is due in large part to political pressure and inquiry by the VAC leadership and their respective legislative representatives on the City Councils, on the County Boards of Supervisors, in the State Legislature, and in the Congress.

IV. THE PERSPECTIVES - ECONOMIC INFLUENCES

In order to begin to understand the problem of abandonment, it is necessary to investigate some of the basic economic factors which have influenced VAC area's development and the abandoned housing problem. This analysis includes the various aspects of employment, industry and other related factors.

Due to a favorable Mediterranean-type climate, the Pomona Valley's economics until recently centered around an agrarian setting majoring in citrus products. In the early 1950's, following World War II, there was an influx of returning veterans and persons whose lives had been disrupted by the war. A common desire by many of them to re-establish their families led them to settle in the Valley, primarily because of the climate, anticipated opportunities and the availability of land. This brought about a rapid population growth which was not met by a compensatory increase in available job opportunities. With this population increase came freeways, increase in housing construction and a reduction in land available for agricultural use. These increases in available land, labor force, and transportation during the 1950's and early 1960's provided a favorable condition for the establishment of industry. A nationwide economic boom, due to the escalation of the Viet Nam conflict and space industry expansion further enhanced the economic development and created many jobs in the Valley. However, this reliance on governmental contracts did not allow for the development of a broad economic base. This growth was segmented in the field of electronic components and related weaponry. Consequently, with the movement of the space industry from Southern California to Houston, Texas, government contracts were reduced and wide-scale employment resulted. This was evidenced by a decrease in this occupational category of 2,900 jobs.¹² A lack of an adequate local employment base in the VAC area has been designated as one of the major factors in the problem of abandonment. However, while the number of new jobs developed in Pomona and other VAC cities is no guarantee that those residents

12 Profiles Vol. I. op. cit. page 23.

will be qualified or secure those jobs, Pomona has issued 95 permits for new and expansion developments since 1960. Of these since 1965, fifteen industries employed more than 100 persons each. These firms include General Telephone, Garden State Paper, Xerox, Faberge, Electro-Optical Systems among others. It has been estimated that Pomona had available 13,000 jobs in relation to its population increase of 20,227 during the period 1960-1970.

EMPLOYMENT

The Pomona community labor market area encompasses the cities of Pomona, Claremont, La Verne, San Dimas, Walnut and unincorporated areas including Diamond Bar. The Pomona community and its encompassed cities have a major civilian labor force. As is typical of the metropolitan area, there is an extensive pattern of cross-commuting of workers between other sectors of the San Gabriel Valley and communities in the western section of San Bernardino County. In 1970, employment in the Pomona community labor market area totaled 58,600 jobs representing an addition of 22,650 jobs to the employment base since 1960 (+63.0%). The average annual rate of growth in employment in Pomona was 5.0% during the years between 1960 and 1970 (+50%).¹³

As of July 1970, manufacturing accounted for about one-fourth of the total employment with a large proportion of jobs in the missile-aircraft-electronics industries. The aerospace industry had provided a substantial number of jobs; however, in 1965 there were cutbacks in the aerospace industry. Because of this readjustment, many occupations that previously had an extreme demand for workers now have a surplus of skilled workers. These include both electronic and mechanical engineers, electronic technicians, electronic assemblers as well as skilled machinists and machine operators such as turret lathe, engine lathe, drill press and milling machines.

Like the Pomona area, the Ontario area is a civilian blue-collar labor force. The Ontario community labor market includes Ontario, Chino, Cucamonga, Montclair and Upland. The Ontario community is a tightly-knit group of cities. The Ontario area has grown at a relatively rapid rate. Its industrial sector is primarily manufacturing including aircraft modification, plastics, electrical appliances and food products. The mobile home industry is also a major industry in the Ontario community area. Agriculture and dairy remains an important part of the economy with wine grapes and citrus as major crops.

¹³ Human Resources Development Department
California Community Labor Market Survey (California:
Human Relations Agency, April 1974).

Many residents of the Ontario area depended on the defense-related industry both within the community and the neighboring Pomona Valley area. Again, cutbacks in the defense-related industries adversely affected the job outlook in many occupations. Engineers and related technicians, electronic assemblers and aircraft mechanics are in oversupply. At present there is an oversupply of available semi-skilled labor.¹⁴

Trade became the largest single industry diversion when the Montclair Plaza opened in 1968 with 1,500 new jobs. Manufacturing ranks second and accounts for just under one-fourth of employment in the Ontario area. The opening of new plants helped to some extent offset defense-related cutbacks.

West Covina, another city in the VAC area, has a high manufacturing industrial base; aerospace constitutes a portion of these jobs. Although employment in manufacturing was off slightly from 1969 to 1970, the net increase in total employment surpassed all other communities in Los Angeles County except for the central district of Los Angeles city. The West Covina community remains an area of labor supply, however, and many residents commute to work in other sections of Los Angeles and Orange counties.

The impact of aerospace cutbacks has been quite evident among residents of the West Covina community. Engineers, supporting technicians and production workers constitute a local surplus. Most of the occupations in demand are blue-collar related, including such jobs as automotive repairmen, and machine operators. The number of jobs for entry-level workers has lessened considerably with the decline in the national economy.¹⁵

It is estimated that jobs in the Pomona Valley support about 20% of the local population. Principal secondary employment support areas available to local employed persons are in the Duarte-West Covina and Norwalk-Fullerton-Whittier employment area.¹⁶ A special census conducted by the City of Pomona in 1969 further indicates the inadequacy of the Pomona Valley local

14 *Ibid.*

15 *Ibid.*

16 *Ibid.*

employment base. Statistics show that 60% of the work force traveled at least 10 miles one way to their place of employment, while 47% traveled more than 20 miles and 23% traveled 3 miles or less. Of the 107 cities listed in the 1970 census for Los Angeles County, Pomona is one of four cities that shows an indication of having a higher than average number of out-commuters. Over half of the commuters from Pomona traveled to San Bernardino and Riverside counties.¹⁷

The types of jobs for which unemployed persons are qualified is a good indication of the composition of a city's labor force. In 1970, the U. S. Census asked the last occupation of unemployed persons. This data served further to depict Pomona Valley as having a predominantly low-skilled, blue-collar labor force. The majority of unemployed males were qualified as operatives and other blue-collar jobs. The majority of females were qualified for operative or clerical-type jobs (See Table VI on page 24).

Although the Pomona area's population increased more rapidly than the Ontario area over the period 1960-1970, the reverse has been the case in employment. The Ontario labor market more than doubled over the decade, with the Pomona market growing by less than 65%. The Ontario Airport generated approximately 2,226 jobs directly related to the airport industry. From 1960 to 1970 the labor force in the Ontario International Airport market area grew by almost 80% with manufacturing employment increasing by more than 54%. Therefore, it can be noted that industrial expansion was clearly stimulated by the availability of an increasingly important airport industry.¹⁸

ECONOMIC INDICATORS

Additional factors which will provide information on the economic viability of the valley are:

1. average income
2. retail sales
3. transportation
4. land utilization
5. industrial capacity.

17 Odessa Dubinsky, Los Angeles Manpower 1972-75 (Los Angeles: Southern California Employment Data and Research Division, HRD, 1975).

18 Economic Impact of the Ontario International Airport on Its Market Area (Redondo Beach:Waldo/Edward Inc., 1971), page 12.

In 1973, the average income per household in the Pomona Valley was \$13,378. Income ranged from \$11,187 in Pomona to \$17,841 in Claremont. Claremont ranked third out of 77 incorporated cities in Los Angeles County. Only the cities of Beverly Hills with \$30,547 and Arcadia with \$18,455 surpassed Claremont.¹⁹

A good indicator of economic activity in the Pomona Valley is the growth in taxable retail sales (*Table V*). Over a 13 year period, 1960-1973, retail sales have just about doubled. In 1960 the retail sales were \$375 million, and in 1973 they were approximately \$725 million. By comparison, retail sales for Los Angeles County and San Bernardino County were \$21 billion and \$2 billion respectively.²⁰

While there is not herein an established relationship between number of jobs, (particularly low-skilled/blue collar jobs) as required for Pomona's 12% rate of unemployment, and total taxable sales in Pomona in relationship to other VAC cities - the following factors exist for Pomona:

- During the 1st quarter of 1975, calendar year 1974, and calendar year 1973, the percentage of sales ranged from 31-33%;
- During 1970, its population was 87,384 or 25% of the VAC cities populations;
- During 1970, its population was 14th in Los Angeles County and 30th in the State of California; and
- During the 1st quarter of 1975, its total taxable sales ranked the same as its population for Los Angeles County and the State of California - 14th and 30th respectively.

An analysis of retail sales in the Pomona Valley indicates that the retail sales per capita is \$2,537. A major divergence from the norm occurs in the City of Montclair where retail sales per capita is \$5,482. This is due to the drawing power of the "Montclair Plaza", a major shopping center (*See Table V, page 24*).

19 "Standard Rate and Data Service Incorporated"
May 12, 1974.

20 California State Board of Equalization.

TABLE V

*RETAIL SALES PER CAPITA

	<u>Population</u>	<u>Retail Sales</u>	<u>Per Capita Sales</u>
Chino	20,411	\$ 40,324,000	\$1,975.60
Claremont	23,464	26,423,000	1,126.11
La Verne	12,965	14,144,000	1,090.94
Montclair	22,546	123,591,000	5,481.73
Ontario	64,118	147,862,000	2,306.09
Pomona	87,384	283,684,000	3,246.41
San Dimas	15,692	17,938,000	1,143.13
Upland	32,551	66,890,000	2,054.93
Walnut	5,992	2,520,000	420.56
West Covina	68,034	N/A	N/A
TOTALS	353,157	\$723,376,000	\$2,537.00

*Source: State Board of Equalization 1974

TABLE VI

LAST OCCUPATION OF

POMONA EXPERIENCED UNEMPLOYED - 1970*

	<u>% of Population</u>		
<u>Male</u>	<u>Total Population %</u>	<u>Black</u>	<u>Mexican American</u>
Professional, Technical & Managerial	12.8	6.6	2.7
Sales Workers	5.5	3.3	2.7
Clerical	6.2	11.5	2.3
Operatives	20.6	4.9	16.7
Other Blue Collar	31.0	41.7	40.3
Laborers	12.8	19.8	30.8
Farm Workers	.7	0.0	2.3
Service Workers	9.9	12.1	2.3
<u>Female</u>			
Professional, Technical & Managerial	5.1	0.0	4.2
Sales	10.9	4.5	3.0
Clerical	28.9	7.7	15.5
Operatives	32.5	50.3	50.0
Other Blue Collar	0.8	0.0	0.0
Farm Workers	0.0	0.0	0.0
Service Workers	15.6	26.5	23.8
Private Household	1.1	0.0	0.0

*Source: Pomona Profiles, December 1973

A transportation source which has had the major impact on the Pomona Valley has been the Ontario International Airport. As a part of the Los Angeles Department of Airport Systems, it has provided an access to the major markets of the West Coast and the rest of the world for the Pomona Valley and its products. In 1970 the total economic impact of the airport was estimated to be \$161 million. Currently, the airport annually services over one million passengers and handles almost four million pounds of air cargo.²¹

There are approximately 500 manufacturing entities in the Pomona Valley. Manufacturing employs an estimated 32,000 of the total population. This is 22.9 percent of the estimated total population employed.²²

The assessed land value of the Pomona Valley is \$875 billion.²³ There are approximately 111 square miles of land in the VAC area. Distribution of urban land (50% of total acreage) in 1970 was as follows:

TABLE VII

URBAN LAND UTILIZATION

Industrial	12%
Commercial	6%
Residential.	60%
Other Urban.	22%

There has been little change in the distribution of land. At about 12 percent, with an occupancy rate of approximately 50 percent, it appears that there is ample space for industrial development.

Industrial land makes up 4.2 percent of the developed land area of Pomona. As indicated in informational literature on Pomona, there is an adequate reserve of industrial land readily available.²⁴ Reexamination of the Pomona area might account for some of the reasons the reserve industrial land in the Pomona area is not being utilized.

21 *Pomona Chamber of Commerce Data Pomona (Pomona: 1975 edition).*

22 *Pomona Chamber of Commerce Community Economic Profile (Pomona: May 1974).*

23 *Los Angeles County Tax Assessor.*

24 *Profiles Vol. I. op. cit.*

Of the ten VAC cities, Pomona has the highest number of delinquency abandonments and foreclosures. The median income of Pomona residents is also lower than some of its surrounding cities. Property value in Pomona has not increased at the same rate as that of some of its neighboring cities. These factors along with others keep big industry from locating in Pomona. Frequently, low income is coupled with a low-skilled labor market. Pomona has a large population of low-income, low-skilled residents and industry generally locates in an area where there is 20 to 30 percent of semi-skilled and skilled workers. With the introduction of low-income housing in Pomona, the population of low-skilled workers increased. In view of the above, industry is not located in Pomona due to the profile of its labor market.

Low property value is an indication of the type of housing in a city. Pomona lacks the adequate executive housing area that many cities have. With the influx of industry also comes the industry executives and their families. Executives will more than likely seek executive-type homes in the area in which they work. Pomona could not meet a large executive housing need. If Pomona would have incorporated Diamond Bar, it would have increased its executive housing area and provided for a better tax base.

According to the 1970 Census, 33,745 Pomona residents over the age of 16 were in the labor force. The number of those persons employed in Pomona is unknown. The total number of available jobs in Pomona may be more than the total number of Pomona persons in the labor force but if the types of available jobs do not match the skills of those available persons, the employment base is not sufficient. Unemployment for May, 1975 according to State of California Employment Development Department was 12.1% for Pomona, and 13% for Ontario. Conceivably the high unemployment for Pomona is due in part to the changed population characteristics wherein the unskilled blue-collar jobs have not been secured or kept up with Pomona's unemployed. It is also conceivable that the incentives for housing abandonment are related to the disincentives for becoming employed because of the availability of food stamps, welfare payments, unemployment payments, and a lack of strong emphasis on actively being required to secure employment.

Although Pomona is in close proximity to college communities, there are few entry-level jobs for college graduates. Many of the professional or high-skilled type jobs require years of experience. Because Pomona's labor force contains many low-skilled workers, many of these jobs are filled by individuals who do not reside in Pomona.

Resources for vocational and occupational programs are few in Pomona. Although Pomona has an abundance of low-skilled individuals, the industry does not cater to this population. The city, as most cities, has few jobs that require little or no skills, such as assembly-type work. Consequently, many Pomona residents commute to other cities for employment or remain unemployed.

Establishing effective vocational and occupational training programs may facilitate and improve Pomona's employment base, along with advising its unemployed residents of new job opportunities.

For example, by training unskilled workers Pomona would increase the value of its labor force. As a result, Pomona could then aggressively recruit industry into the area and provide a more adequate and valuable labor force. This could be facilitated by the operating manpower consortiums in the VAC area (i.e., Valley Manpower Consortium and Inland Empire Manpower Consortium) by providing CETA Title I training slots and opportunities to VAC residents.

V. THE PERSPECTIVES - SOCIAL INFLUENCES

Three significant factors appear related to the social dynamics of housing abandonment. They are housing choice, housing resources, and housing agents.

HOUSING CHOICE

There is a relationship between the quality of a person's dwelling and his occupational prestige.²⁵ The wage earnings of skilled blue-collar workers may be similar to those of white-collar workers, yet there is a difference in the quality of housing chosen by these two groups.²⁶ Clerical staff, sales employees, salaried professionals and the self-employed, who have the same income as highly skilled blue-collar workers, are willing to spend more on housing. In short, white-collar workers are better housed by choice than blue-collar workers.²⁷

White-collar workers may be willing to spend more on housing due to the status associated with their purchase, while blue-collar workers spend less on the housing unit in order to supplement their life style with autos, appliances and other personal goods. The amount allotted out of the consumer's budget for housing varies substantially according to income, age, family size, occupation and education.

It is significant to note that out of the total VAC area labor force, which equals 102,132, at least 54,507 are located in the cities of Pomona and Ontario. While Chino has a smaller population it is important to note it has the highest number of blue-collar workers along with the lowest family median income, with Ontario and Pomona following suit. An examination of Table IX will indicate those VAC cities whose labor force has a high number of blue-collar workers according to 1970 census. These are Chino - 62.7%; Montclair - 54.4%; Ontario 58.5%; and Pomona 58.6%.

25 William Michelson *Man and His Urban Environment: A Sociological Approach*, (Massachusetts: Addison-Wesley Publishing Co., 1970) Page 114.

26 *Ibid.* page 60.

27 *Ibid.* page 114.

The expectation would be that, given the low-income population coupled with a high number of blue-collar workers, the housing in these cities will be less costly than those of the other VAC cities (*Table VIII demonstrates this*).

Housing choice may be further limited within occupational categories due to lack of education. Education has been shown to be socially significant in the quality of housing chosen.²⁸ Without education or retraining there is no access for blue-collar workers to enter the white-collar labor force. In other words, this is the professional group for these technical skills as well as the height of economic achievement these skills can bring.

Other considerations of housing choice involve homogeneity of social class within housing areas. There are a variety of ways this may occur within neighborhoods: by ethnic background, income, occupation, or purchase price of a home. Often a neighborhood will tolerate only a cost differential of up to 20% between the purchase price of adjacent homes.²⁹ Therefore, these homes become less saleable. If the cost differential exceeds 20%, flight from the neighborhood will ensue. This is especially true as it relates to class and social integration. As formal class ideologies break down, other means of segregation may follow such as residential segregation.

Residential segregation may be found wherever a variety of social, economic or racial characteristics are found to be clustered in communities segregated from each other. One study cites the influence of realty salesmen who stressed respectable social class and purchase price similarity within one town. In addition, homebuyers had to pass a credit check conducted by a local credit organization. All this served to promote homogeneity.³⁰ Even so, residential moves are common, especially in the Southern California area.

Contact with neighbors and community resources serve as information and tools for homeowners adjusting to their new home. Gradually over a period of years these relationships wind down, and the interaction among neighbors is significantly decreased by the characteristic 5-7 year resale phase. Some families will change neighborhoods if the social characteristics of their

28 *Ibid.*

29 *Ibid.* page 47.

30 *Man and His Urban Environment: op. cit.* page 185.

TABLE VIII
HOUSING DATA

Area	Year Round Housing Units		Median Rent	Abandoned Houses	
	Total	Owner Occupied %		Total	% of Housing Stock
Chino	4,835	64.6	\$105.00	5	.1
Claremont	6,824	61.0	154.00	30	.4
La Verne	4,131	68.1	129.00	2	.05
Montclair	6,636	59.2	122.00	45	.7
Ontario	20,855	57.9	108.00	50	.2
Pomona	28,868	53.9	119.00		2.9
San Dimas	4,374	81.3	136.00	28	.6
Upland	10,610	58.6	129.00	3	.03
Walnut	1,590	77.0	173.00	7	.4
LOS ANGELES COUNTY	2,536,975	46.5	110.00	Not Available	Not Available
SAN BERNARDINO COUNTY	249,333	54.2	91.00	Not Available	Not Available
Source: U. S. 1970 Census and Individual Cities				Source: Mayors Report 12-1974	

TABLE IX
EMPLOYMENT AND INCOME

Area	Occupation by Class of Worker Of Total Labor Force Over 16 Years of Age			Family Medium Income
	Professional and Management	Sales and Clerical	Blue Collar and Household Workers	
Chino	17.7	19.7	62.7	\$ 8,740.00
Claremont	50.6	22.7	26.7	15,053.00
La Verne	31.7	21.5	46.7	11,190.00
Montclair	20.1	25.5	54.4	10,371.00
Ontario	19.0	22.6	58.5	9,617.00
Pomona	23.8	24.4	58.6	10,014.00
San Dimas	26.7	24.9	48.4	12,283.00
Upland	32.7	25.7	41.6	11,701.00
Walnut	41.9	28.9	29.2	Not Available
LOS ANGELES COUNTY	26.2	29.0	44.8	12,783.00
SAN BERNARDINO COUNTY	23.1	24.6	52.4	9,439.00
Source: 1970 Census				

neighbors become obviously different from their own.³¹

Mobility of populations within neighborhood or city areas may follow lines of social class and income for various reasons. The higher the socio-economic status of the neighborhood the less likely moves will occur. Low-income populations are typically less settled due to housing needs, work location, and lack of emotional attachment to neighborhood areas. Such environments make for greater incidence of crime, blight and slum conditions. There is less personal contact, few neighborhood ties, and lack of neighborhood cohesion and protection.

Lower-income and middle-income classes may be divided into those who are "house-centered" versus those who are "community-centered".³² House-centered buyers have probably never purchased a home before. Their primary attempt is to find a home within a price range they can afford. Later they assess the impact of community facilities, addition of taxes, commuting distance and home maintenance upon their budget. They find that, although they have their home, unexpected demands impinge on its value to them. Community-centered buyers typically base their housing choice upon easy access to community, civic, and recreational facilities within an already planned community which provides for their desires and protects them from unwanted encroachments. If the two types of buyers are found within one area, community conflict may arise. The community-centered buyers will demand services they desire, while the house-centered buyers will oppose these demands because they don't have the marginal funds to pay for these services.

Thus, one means of inducing "pathology" upon people is to force their change from a neighborhood without adequate relocation to a similar lifestyle.³³ Forced change may be relevant to the resultant end of low-income buyers moving into the VAC area while existing populations moved out--especially within the City of Pomona. If population groups within a residential area shift from one socio-economic status to another, the social reaction of existing neighborhood areas may be extreme. Withdrawal, distantiation or rejection of new population groups may occur in the form

31 *Martin Mayerson Housing People and Cities*, (New York: McGraw Publishers, 1962), page 88.

32 *Man and His Urban Environment: op. cit.* page 119.

33 *Ibid.* page 166.

of personal-social rejection or public rejection via inadequate provision for community needs, employment opportunities, and access to local government.

HOUSING RESOURCES

*When a homeowner chooses a house he purchases not only housing services, but also a wide range of goals and services, public schools, parks, transportation, neighbors, and other amenities. Though they cost him nothing beyond the price of housing and attendant property taxes, his satisfaction, indeed, his welfare, depend on these commodities as much as on his housing. He does not express in the market place his demand for housing but for the entire package.*³⁴

A major characteristic of neighborhood "incipient decline" is that the existing quality and level of services may not match the need of new residents. This lack of adequate services then plays a part in the process toward a neighborhood defined as "non-viable, heavily abandoned."

The lack of research on the influence of residential services is acute. Housing statistics generally reflect housing structures only and do not include the incorporated value and degree of those residential services which vitally affect the resident's satisfaction or discontent. The effect of this lack of information falls upon housing goals even though these services are not considered in the goal-achievement process.

Social and health service resources determine to a large degree the leverage the homeowner has in facing problems with the home itself, as well as the mortgage payment. Present casework with mortgage-delinquent clients indicates that often a low or moderate-income homeowner may channel part of his income into social or medical services which otherwise would go toward his monthly house payment. In view of this, it is important to examine residential resources in the VAC area and assess their availability.

In terms of many homeowners in the VAC area who experience difficulty in meeting their mortgage payments, the problem of social and medical resource services is three-fold. First, resources may not be available to the homeowner and his family because the amount of equity he has accrued in his home is too large to qualify for low-cost community services. Second, if he does qualify for low-cost services, they might not be available for

³⁴ Henry J. Aaron *Shelter and Subsidies*, (Washington D.C.: Brookings Institution, 1972), page 4.

the specific problem he or members of his family are experiencing. Finally, even if he qualifies for these services, and if they are adequate for his needs, he may not be aware that they are available to him.

As a result of a recent VAC client study, as well as inquiries of major mortgage lenders, the following were cited repeatedly as major causes for foreclosure delinquencies leading to the loss of a home: divorce, unemployment, medical expenses, debts, consumer fraud.

DIVORCE

While it is often difficult to discern the causal factors in mortgage foreclosures or home abandonment, there does appear to be a high correlation between these and divorce. In the Pomona Valley in 1974, 3,659 divorces were filed, and 2,049 were decreed. During the same period of time, the west end of San Bernardino County reports 3,025 filed and 1,438 were decreed.³⁵ Many VAC clients are either divorced or in the process thereof, and many are also single heads of households. For example, 32% of the VAC counseling records indicated households headed by single persons.

Divorce acts as a significant influence on the abandonment process in some obvious and other more subtle ways. The obvious problem generated by divorce is a financial one. Divorce is costly, involving both parties in financial expenditure and loss. Quite often the modern budget is not geared for the added costs of separating a house, family, and household goods. In addition to legal fees and court costs, both partners experience a 25 percent reduction in the standard of living they maintained as a couple. This, along with the fact that almost one-third of the homeowners were female single heads of households, indicates the degree of influence which divorce plays in this process.

Although the impact is more subtle, divorce generates emotional as well as financial problems. The home (through non-payment of the mortgage) is often used as a retaliatory measure to indicate loss of incentive and mutual concern. The time-span that occurs when notice of default is filed (90 days) and when foreclosure may finally take place, may be too short for the property settlement and assumption of one party's responsibility for the home payments.

³⁵ County Clerks Office Pomona, and San Bernardino, California.

The high correlation between divorce and abandonment in this area warrants further research. Such a study would indicate to what degree family breakdown affects mortgage delinquency and foreclosure rates.

UNEMPLOYMENT

Unemployment as well as under-employment are often cited as reasons for falling behind on payments. Statistics have already been demonstrated which express the significance of unemployment in terms of those occupations most heavily affected in the VAC area.

One major problem in trying to assess employment needs is that there are very limited resources for such information. There is no adequate record as yet for the types of employment needed, types of occupational overflow, and projected employment needs for this local area. These would be vital to developing industry and city zoning plans. Generally speaking, those occupations hit hardest most recently in the VAC area are blue-collar workers such as seasonal workers in phases of the construction industry, as well as those who were extensively employed in electronics and aerospace and weaponry-related industries.

Activities relating to industrial and business development expansion are almost nonexistent in this area. In addition there are few resources available to low-skilled individuals which provide training in the area of employment seeking. Programs designed to enhance the marketability of an individual could increase the value of the community labor force. The lack of such developmental efforts and resources in the VAC area may perpetuate a high unemployment rate and reduce the probability of developing a skilled labor force.

MEDICAL ILLNESS

Families who encounter large medical expenses of an unforeseen nature often have to neglect other areas of financial responsibility in order to meet medical payments. Consider for example, that the average four-member American family spends \$65 each month for medical expenses.³⁶

The VAC client family is larger by comparison, and so in all probability would spend a greater portion on medical expenses per month. However, the health needs of low-income persons may balloon into major financial problems because they lack the funds for preventative health care.

36 "Pasadena Star News" January 4, 1975
(Washington: Bureau of Labor Statistics.)

On the other hand, if these families do spend the amount necessary for their monthly health needs, it severely depletes their monthly budget, creating an ongoing financial hardship.

Generally speaking, members of blue-collar, low-income occupation groups may not have adequate medical insurance. A homeowner and his family may qualify for Medi-Cal benefits, but the consistency of care may be lacking. Considering the fact that physicians traditionally practice near health facilities, a physician deficit would, in turn, indicate a deficit in health resources. For instance, only two physicians in the west end of San Bernardino County treat or accept new Medi-Cal patients.³⁷ In fact, a recent health planning report states that there appears to be a deficit of physicians in the Pomona Valley area and recommends that health care services and resources should be encouraged to locate in this area.³⁸

Families who have no medical insurance or Medi-Cal benefits can be treated in a few local hospitals in extreme emergency situations; however they are transported to the appropriate county hospital as soon as possible. This involves considerable travel distance due to the VAC area's geographical isolation from county centers and major treatment facilities.

This element of geographical isolation also contributes to the relatively limited range and availability of social services in the area. Although there are several local chapters of certain organizations, there is a notable lack of organizations which offer services to persons experiencing problems of a specialized nature.

DEBTS

The accumulation of debts and the inability of persons to handle their money effectively comprise one of the most difficult to analyze areas in considering social resources for this problem. Breakdown of the family structure may be correlated with extensive debts, however, the choice of purchases certainly plays an important part in the debt accumulation process.

The purchase of a house is a major expense. One "Study of Consumer Expenditures" revealed a significant change in consumption patterns when people decide to buy a house. For middle-income families housing outlays

³⁷ San Bernardino County Medical Society, March 1975.

³⁸ Comprehensive Health Planning Council 1975 Health Systems Plan, Summary, Los Angeles County, (Los Angeles: December 1974.)

(including utilities) increased with home purchases from a range of 12-16% to a range of 20-22% of their income before taxes.³⁹ Further studies indicate that the consumer dollar spent on housing varies according to income, family size, age, occupation, education and ethnic group. As income increases, the proportion spent on housing decreases. The principal cause for the initial high expenditure for housing by low-income families is an income level so low that even a minimal outlay for housing absorbs a disproportionately high share of their salaries.⁴⁰ The fact that the VAC area houses a significant number of low-income families emphasizes the need to provide these families with community and city resources to assist with housing-related needs.

In those instances where federal government programs have attempted to raise quality of housing among certain groups, there has been a characteristic backfire. Although the level of income may be qualifiable for a certain home, the fact remains that certain families may not be prepared to spend that amount on their housing. In other words, even though federal government programs indicate the family may be able to afford the house, their particular values and expenditures may not have changed, and the tendency to amass debts because of this may easily occur. These are the families who live on stretched budgets, month-to-month, paycheck-to-paycheck. Their income is over-extended because of their debts and any slight emergency can upset this delicate balance. At the same time these families rarely have conventional means of dealing with debts, legal fees, medical costs, etc. They are primarily concentrated in the blue-collar labor force which does not necessarily provide for these needs as well as do the professional occupations.

As neighborhood income levels change, so do the needs of the housed populations. One HUD report states:

*Economic resources are so limited that simple problems become magnified and normal complements of institutions that were once appropriate for populations in the middle rank are now unsuitable. The need for providing specialized services that had previously been financed privately or taken for granted by the middle social rank group now becomes mandatory for the lowest rank groups.*⁴¹

39 Housing, People and Cities *op. cit.*, page 57.

40 Ibid. page 55.

41 HUD Experimental Program for Preserving Declining Neighborhoods: *op. cit.*, page 15-16.

The white-collar worker who buys a home which economically is a "squeeze" may rationalize the purchase based upon projections of future employment and income increase. His willingness to sacrifice present desires for purchase of the home is strong at the onset. As time advances, however, these desires may become more important than the home itself. The possibility of being able to purchase a home beyond his present means is dependent upon the individual's ability to assess his chance of achieving future goals, his foresight to provide for emergency setbacks, and his general knowledge of exactly what the housing purchase and maintenance will really cost him. Consequently, this situation as well may easily fall prey to foreclosure due to unforeseen obstacles.

CONSUMER COMPLAINTS

Goods and services that are inadequate or too costly can accelerate the financial problems of homeowners already experiencing difficulty in meeting their mortgage payments. This is especially true when the expenditure represents a large portion of their monthly income, such as expenses incurred in house repairs and maintenance, and expenditures which are unavoidable and imminent, such as those for medical emergencies. The most obvious shortcoming of social services in this area is their distance and scarcity. The lack of social services for all VAC families accelerates the deterioration of neighborhood areas and visibly contributes to the abandonment problem.

The Department of Consumer Affairs of San Bernardino County lists the following top ten consumer complaint categories for the county area in 1974. (Consumer complaint information for Los Angeles County is not available.)

Top Ten Consumer Complaint Categories

1974

1. Motor Vehicles
2. Retail Store/Policy
3. Appliances and Home Furnishings
4. Real Estate Including Rentals
5. Professional Services
6. Mobile Homes
7. Home Repairs/Construction
8. Insurance (all kinds)
9. Utilities
10. Mail Order Sales

Many of the above categories directly relate to homeowners, especially categories dealing with real estate, home repair and construction. The categories experiencing an increase in complaints since 1973 are motor vehicles, retail store policy, real estate, professional services and utilities.

Low-income homeowners not aware of any alternative recourse available to them will either tolerate the inconvenience or danger of an inferior product or will repurchase the product, duplicating their costs and possibly missing their monthly mortgage payments. In view of the 157.8% cost-of-living increase since 1967,⁴² it is not difficult to see how delinquent payments can precipitate in the face of any duplication of expenditures.

Although consumerism has a strong voice in providing for quality goods and services, low-income people are not, for the most part, cognizant of consumer protection services and opportunities. This situation could be due to the lack of local consumer protection, outreach and education programs. A local community-initiated consumer advocate program is another absent element which might be more effective in reaching uninformed segments of the community.

While there are resources that provide assistance for credit and debt problems, these are primarily located in the central-city areas of Riverside, San Bernardino and Los Angeles. To contact these agencies a long distance call is often necessary, as well as mail-in application forms, if not a trip in to one of the central city locations. The problems incurred here are financial, involving lack of transportation as well as the lack of child care for such visits. In this respect the supportive services which are provided for out of the population's county and other taxes, are not easily accessible for these residents in the Pomona Valley area.

HOUSING AGENTS

Clearly the housing market, like the fabled elephant, is different things to different people. One of the most striking features of the production and distribution of housing services is the number of parties involved in the preparation, production, distribution or servicing of housing and the variety of laws, regulations, controls or subsidies to which they are subject.⁴³

42 "National Observer," May 3, 1975

43 Shelter and Subsidies op cit. page 9.

The process of buying a home taken from a social dynamics viewpoint indicates that the homebuyer has limited contact with most of these housing agents. Primary contacts are with the real estate agent and the mortgage lender. At times, the owner may also find it necessary to contact the contractor who performed any original construction or rehab work on his house.

The real estate agent has a primary social relationship with the homebuyer due to his field of expertise and the fact that he occupies a position of considerable influence regarding the purchase and sale of available houses. Many homebuyers have never previously purchased a home and do not possess the information, technical skills, and contacts necessary to make adequate judgment about the homes they wish to purchase. Consequently, a reputable real estate agent is of prime importance for technical advice regarding such items as:

- . . . property value appraisals
- . . . neighborhood conditions and occupants
- . . . family needs assessments
- . . . family income and credit qualifications
- . . . contractual questions and inclusions
- . . . lawful title and transfer.

The importance of the relationship between the home buyer and the lender is emphasized by the fact that the buyer has given a "promise to pay" to the lender and thus the lender is in a position of considerable influence should any problems occur in meeting that obligation. The relationship here necessitates that the buyer be dependent upon the lender for information and technical assistance regarding the mortgage loan in such areas as:

- . . . title transfer
- . . . second trust deeds
- . . . recasting, forbearance, repayments
- . . . late charges, foreclosure fees
- . . . taxes, impound accounts
- . . . default filing, sale dates, eviction.

To the homebuyer the relationship held between the real estate agent and the lender are of major importance to obtain a home and retain the home. At the same time, however, the monetary risks involved between the homebuyer and these agents appear to be, at least on an immediate basis, unequally stacked. Not only is the buyer generally uneducated in the subject area he is

dealing with, but he also lacks political support, economic and legal resources to confront these entities should discrepancies occur in their agreements.

The real estate agent may stand to lose a commission and a sale, possibly some valuable time. The lender may incur little risk due to:

- 1) FHA-VA insurance on the loan and the fact that the degree of risk is built into the loan value with additional supplementation by foreclosure fees and late charges
- 2) it may be advantageous to foreclose on a government-financed loan to recapture the capital and invest it at higher interest rates
- 3) lenders may "sell" loans to other investors and consequently reinvest capital via these secondary markets.

The buyer however is considering a financial investment which may be the major purchase of his life, and which will double in cost over the period of its purchase.

Home purchase for the homeowner involves a high monetary risk factor coupled with little or no education in these areas to assist him in his decision-making. Both the primary real estate and lending agents, however, assume a low monetary risk factor coupled with much technical expertise in the subject area.

Should a situation arise whereby the owner loses the home, ultimately the cost of abandoned or foreclosed properties will reflect back upon both the real estate and the lending industry. However, this impact is not felt as immediately as it is upon the homeowner and local residents who live in areas which are largely unoccupied. The initial impact of these costs may not be felt for a period of years and the problem of abandonment can be predicted in cycles declining and rising over a period of years with additional new housing stock accumulating through time. Thus the risk margins for a homeowner to retain the home are far more outweighed by the profit motives of his losing the home.

One factor which appears to affect the intensity of the homeowner's relationship with housing agents is geographical distance. The result of this distance may

determine to a great degree the amount of concern these agents may have in providing the best service to the homeowner. Without local input, pressure, or support regarding the practices of these organizations, there is a greater tendency for them not to respond. They are not aware or are not affected by the magnitude of problems which may arise as a result of their actions.

Finally, it should be mentioned, once the homebuyer is actually a homeowner, there are a number of additional relationships which become important for retaining the home. The social-economic compatibility of the homeowner in relation to the residents in the local neighborhood will determine to a certain degree the ease the homeowner feels with his new purchase. The relationship the homeowner has relative to the city government, public schools and community agencies will determine the availability of resources necessary to maintain the economic security, personal safety, health, education and welfare of his family. A more remote relationship exists between the homeowner and the local lawmakers; this relationship provides political impact and powerful support to the homeowner if it can be utilized effectively.

All of these secondary relationships have the potential to become primary depending upon the degree to which they influence the homeowner and his home. For instance, a family may find that they are not compatible with their neighbors, that there are not opportunities for employment in the area, that they do not feel personally secure, or that local politicians are not effective in alleviating local problems. These may have the potential to primarily influence the homeowner to leave his home even though his mortgage payments are current and the family is extremely satisfied with the home itself.

VI. THE PEOPLE WHO ABANDONED

The following are case summaries of actual families who contacted the Valley Association of Cities for assistance between August 1974 and March 1975.

* * *

JEAN is 48 years old. She is a single female head-of-household; there are two children the ages of twelve and fourteen. Her occupation has been waitressing for six years. The family has resided in the home since September of 1974. The first contact our agency had with this family is dated December 1974.

At the time of this contact the mortgage payments had been delinquent for four months and foreclosure proceedings had begun prior to contact with VAC. Jean had been unemployed since July 1974, due to illness and hospitalization. The family is now existing on an income of \$212.00 a month with mortgage payments of \$127.50.

The home had been purchased under the 235 program. She received no homeownership counseling prior to the purchase of the home, and she had no previous experience in owning a home.

* * *

FRED is the only support of his household. He has nine children and a wife. He is currently unable to work due to an injury he received on the job as a construction worker.

While awaiting his hearing and final decisions on his disability claim, his mortgage became delinquent. He is not eligible for any advance on his disability grant. If the fair hearing is in his favor, he must wait an additional 60 to 90 days to receive his grant award.

* * *

MARY, a 31-year-old female, became the head of the household totally unprepared when she and her husband separated. She was left to support five children between the ages of five and fourteen. She is currently unemployed due to a lay-off which occurred three weeks prior to their separation. When her husband left in December she was unaware that he had stopped making the mortgage payments in October of 1974 and the home was previously owned by the husband's parents.

Our first contact with this family was in January, 1975. The home was due to go into foreclosure at the end of January, 1975. The six-member family is currently receiving welfare benefits of \$148.00 bi-monthly. The mortgage payments are \$162.00.

She has had no experience in homeownership nor does she understand how to manage a household. In the past her husband had taken full responsibility for managing the family's financial matters.

* * *

JOHN, age 48, moved to Pomona from Los Angeles to find better schools for his four children. He is unable to work because of an injury sustained in 1968, but he draws monthly disability benefits, and his wife works part-time. Total family income averages \$480 per month. They bought a three-bedroom home in 1972 but became discouraged by the large amount of vandalism and the "rough neighborhood." The family abandoned their home during the summer of 1973.

* * *

JIM AND DONNA head a family of four. Both husband and wife are employed and have a joint monthly income of \$937.00.

The family has been living in the home for one year and have had a delinquency of six months. In addition to a mortgage payment of \$220.00 they have additional payments on two cars, appliances, and credit cards, as well as lawyer, babysitter, and doctor bills. The over-taxing of available money has contributed to the delinquency of the home and foreclosure proceedings have begun.

* * *

MAY is unemployed and is receiving Aid to Families with Dependent Children (AFDC). She heads a household with four children. She and her family moved from Los Angeles to Pomona because this was the only place that had homes available through the 235 loan program for which she had her family qualified. They were renting their home in Los Angeles; however it had been condemned.

When they moved into their present home much of the rehabilitation work had not been completed. Five months later it was discovered that the house did not have a light or gas meter. Consequently the family incurred additional charges for the use of utilities from the time they moved into the home. She lacked essential information as to what services were available and who to contact in the event she had difficulties regarding home repair. Her budget was thrown off and her mortgage payments became delinquent.

* * *

BILL, age 38, bought a house which had been rehabilitated in the Fall of 1972 and had moved in even though repairs on the roof had not been completed. The winter rains began and several leaks were discovered. He claims he attempted to contact the people who sold him the house, but repairs were not made. He abandoned the home in less than a year without attempting to place it on the market for sale.

* * *

LINDA, a divorcee, supports herself and her three children from alimony payments she receives from her husband. The husband took out a second mortgage supposedly to have some needed repairs done on the home. The repairs were never done.

She had managed well on her own and was able to pay the mortgage payments from the alimony she had been receiving. Meanwhile, the second mortgage, of which she had no knowledge, had become delinquent and foreclosure proceedings had begun. She was able to curb the first default, but then her own resources were depleted and she was unable to maintain the payments on the home for the second mortgage.

* * *

MARY, age 36, and her five children, ages 4 to 12, moved to Pomona from South Central Los Angeles in 1971 because they heard inexpensive homes were available. They bought a three-bedroom home for \$21,000 when she was told it would be "just like renting." Mary works as a nurse's aide and receives AFDC, but the family's total income is less than \$600 per month. One of the children needed an operation last year and Mary was forced to quit work to care for the child after he returned home from the hospital. She went back to work (as a sewing machine operator) when the child was well enough to permit it, but they had fallen behind in their house payments and the lender threatened to evict them. The family abandoned the house in June 1973 and moved out of the area.

* * *

GEORGE, age 31, has lived in the VAC area for 12 years, but his family had always rented houses or apartments until 1972. They bought a four-bedroom home for \$23,950. The water heater broke in June the next year and ruined a new carpet in the living room. At about the same time George was laid off from his job as a warehouseman in the City of Industry. The family fell behind in its monthly payments on the house because of the problem of paying for the new water heater. When he attempted to make a partial payment on the home, it was returned by the mortgage holder. The family abandoned its home in December 1973 and is living in an apartment in the local area. When asked about their experience with homeownership, they indicated they would like to buy another home if they got the chance.

* * *

ANN, age 34, moved to Pomona in 1969 to find a good home they could buy. Pomona appeared to be the only place where they could afford to buy a home. In 1972 her husband lost his job as a salesman and soon afterwards the couple began having marital problems. In March 1973 he moved out, leaving her with three children to care for. She got a job as a laundry worker, but soon discovered the children were staying out of school and quit work. The family abandoned their home during the fall of 1973. It is reported that the family is living in another home in the local area.

* * *

RAY, age 41, bought a four-bedroom home in 1971 so he could have "a good place to raise my family." He made all his payments on time until 1973 when he became ill and missed work for two weeks. He had no savings on which to rely and was unable to make his next mortgage payment. He became discouraged and allowed the house to go through foreclosure. The family is now renting another home in the area.

* * *

VII. THE VAC STUDY - THIS RESEARCH REPORT

In an eight-month period of time between August 1974 and March 1975, approximately 800 homeowners came in contact with the Valley Association of Cities for purposes of assistance in efforts to retain their homes. Of these, 191 were counseled or interviewed in person. All contact was based on the homeowner's difficulty in meeting monthly mortgage payments, already having delinquent payments, or, in some cases, because foreclosure procedures had already been initiated or completed.

This study sample is representative of only one-fourth of the total known delinquencies in the VAC area. It is subjective to the extent that it indicates the problems of those who received counseling solely on a voluntary basis. Therefore, it may not necessarily provide representative insight to problems of those persons who were not willing to accept or seek outside assistance regarding their housing problems. Nevertheless, the sample is useful to the extent that it gives us ideas about the major problems that occur with mortgage delinquencies which, subsequently, lead to foreclosure or abandonment.

Table X shows the city of residence of the 191 clients counseled according to zip code areas.

TABLE X
VAC COUNSELING CLIENTS BY CITY RESIDENCE

<u>City</u>	<u>Zip Code</u>	<u>Number</u>	<u>Percentage</u>	
Chino	91710	7	3.7%	
Claremont	91711	2	1.0%	
La Verne	91750	5	2.6%	
Montclair	91763	6	3.1%	
Ontario	91761	8	4.2%	} 7.4%
	91762	1	.6%	
	91764	5	2.6%	
Pomona	91766	39	20.4%	} 74.3%
	91767	51	26.7%	
	91768	52	27.2%	
San Dimas	91773	4	2.1%	
Upland	91786	2	1.0%	
Walnut	91789	1	.6%	
West Covina	91790	8	4.2%	
		191	100.0%	

Of the responding sample, 16.4% indicated they had prior homeownership counseling, usually in the form of talking with the realtor about such matters as the monthly mortgage payment, the payment schedule, etc. These people came in for counseling on the average of 2.62 months after they made their last payment. The client population who indicated no prior homeownership counseling came in for counseling on an average of 2.57 months. This could indicate that the type of homeownership counseling created a reluctance for any additional counseling. Speculation is limited, however, because in-depth questions concerning the nature of prior homeownership counseling were not included in the VAC counseling interview.

The respondents were asked the amount of their monthly wage and their monthly income, the latter including any outside financial assistance. The responses indicated that 22% of the families are receiving some form of outside assistance with 11% of the total sample population

receiving welfare benefits. This latter figure compares favorably with the national average of 14%.⁴⁴

Questions concerning problems the family was experiencing revealed that 44% were experiencing financial problems, and 15% indicated that the house itself presented a substantial problem in terms of repairs and maintenance, representing an additional expenditure. Table XI illustrates the median income of the sample population compared to the median mortgage payment.

TABLE XI
COMPARISON OF MEDIAN INCOME AND MORTGAGE PAYMENTS

	<u>Median Income</u>	<u>Median Mortgage Payment</u>	<u>Percent of Income</u>
Female Primary Wage Earner	\$400	\$161	40.25%
Male* Primary Wage Earner	\$600	\$177	29.50%
Total Sample	\$480	\$176	36.66%

**35% of these families have female secondary wage earners.*

The above mortgage payments are exceptionally high compared to incomes, especially when one considers that credit counselors recommend that no more than 25% be spent for shelter.

In view of the fact that financial problems were cited so often, a review of occupations follows. Table XII shows a breakdown of occupations for primary and secondary wage earners in VAC client family households.

⁴⁴ *Walter Syzkitka Public Works, A Handbook for Self-Reliant Living*, (New York: Links Books, 1974), page 911.

TABLE XII
OCCUPATIONAL BREAKDOWN ACCORDING TO
EIGHT MAJOR OCCUPATIONAL TITLES*

<u>Primary Wage Earner</u> N=60		
<u>Title</u>	<u>Number</u>	<u>Percentage</u>
Clerical	2	3%
Craftsman	11	18%
Laborers	6	10%
Managers	6	10%
Operatives	15	25%
Professional- Technical	5	9%
Sales	1	2%
Service	<u>14</u>	<u>23%</u>
TOTAL	60	100%

<u>Secondary Wage Earner</u> N=25		
Clerical	3	12%
Craftsman	0	0%
Laborers	1	4%
Managers	0	0%
Operatives	4	16%
Professional- Technical	5	20%
Sales	3	12%
Service	<u>9</u>	<u>36%</u>
TOTAL	25	100%

*Los Angeles Manpower 1972-75, Southern California Employment Data & Research Division, Department of Human Resources Development (HRD), 1973.

Table XIII compares the total VAC client population occupations (N=85) to the occupational breakdown for residents of the State of California.

TABLE XIII
OCCUPATIONAL COMPARISON BETWEEN
VAC AND STATE OF CALIFORNIA

<u>Title</u>	VAC Client Population <u>Percentage</u>	State of Calif. Population* <u>Percentage</u>
Clerical	5.9%	19.8%
Craftsman	12.9%	12.9%
Laborers	8.2%	5.7%
Managers	7.1%	9.9%
Operatives	22.4%	13.7%
Professional- Technical	11.7%	17.4%
Sales	4.7%	8.0%
Service	<u>27.1%</u>	<u>12.6%</u>
TOTAL	100.0%	100.0%

*1970 Census

The VAC client population shows a disproportionately large percentage working in blue-collar occupations; namely laborers, operatives and service workers. At the same time the sample reveals a relatively low percentage working in white-collar occupations, notably clerical, managerial, professional-technical and sales occupations.

Table XIV compares the family median income of the ten VAC cities with the median income of the VAC clients sample.

TABLE XIV
COMPARISON BETWEEN VAC POPULATION & VAC CLIENT
SAMPLE REGARDING FAMILY MEDIAN INCOME

	<u>VAC Cities Population Family Median Income*</u>	<u>VAC Clients Sample Family Median Income**</u>
Chino	\$ 8,740	\$ 4,320
Claremont	15,053	10,800
La Verne	11,190	5,400
Montclair	10,371	6,144
Ontario	9,617	4,320
Pomona	10,014	6,300
San Dimas	12,283	6,000
Upland	11,701	7,800
Walnut	not available	1,776
West Covina	13,116	6,660

* Source: 1970 Census

** Source: VAC Research

Note: Without exception the annual median VAC client family income per city is less than the total population family median income for each city.

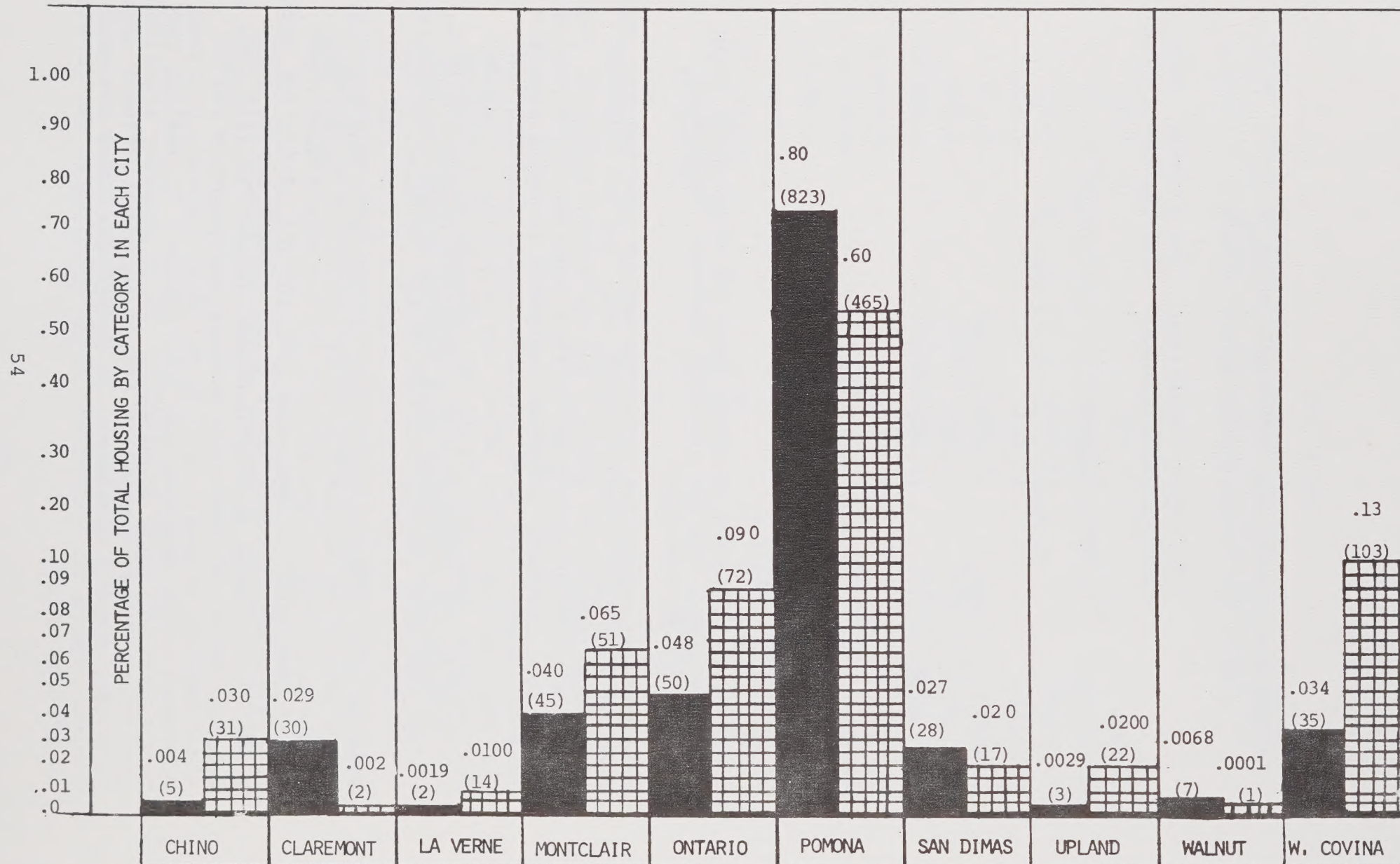
Although the counseling interview method elicited responses dealing with these problem areas, they can be separated only in a theoretical sense. For instance, financial problems can generate family or marital problems while medical, house, and community problems represent an added expenditure of income. In turn, family-centered problems can generate problems which affect the community. Consider, for example, that over 6% of the respondents indicated problems in the community, a significant element being vandalism and other symptoms representing a lack of community cohesion.

Persons with previous experience in owning a home can experience difficulty in meeting their obligation to mortgage companies. Twenty-four percent of the sample were homeowners previously. They came into the VAC office for counseling 3.1 months after their first payment became delinquent. Their mean monthly mortgage payment is \$181 with a monthly income of \$583, the payment representing 35% of their monthly income. In view of these figures, previous homeowners were experiencing more problems in meeting payments than the total population. It is possibly significant that these former homeowners are in the more affluent neighborhoods, notably Claremont, La Verne, San Dimas and West Covina. Table XV illustrates those areas where the problem is getting worse.

TABLE XV

PROPORTIONS OF SPECIFIC HOUSING ACTIVITY
COMPARISON AMONG VAC CITIES

KEY
 - VAC Delinquency Statistics, Jan. 1975
 - VAC Abandonments, Mayors' Report, Jan. 1974



* This graph may include figures in adjoining unincorporated County areas.

The sample is highly representative of Pomona residents as these include a large proportion of the total. However, the proportion of abandonment previously was 83%, as of January 1974, and the figure has fallen off, as of January 1975, to 78% of this sample. This indicates a large drop-off in abandonments in Pomona.

During the same time frame, the problem in Ontario has increased to the extent it has gone up from .048 to .09. In La Verne the proportion has increased from .0019 to .01, a tenfold increase. In Chino there has been a fivefold increase compared to Upland, where the increase has been fourfold. Possibly these are areas in which increased aid or some other type of assistance or counseling should be concentrated. The problem is being alleviated in the City of Pomona, however, and this would seem to indicate that counseling, early warning prevention and intervention had a highly beneficial effect on potential abandonments and defaults.

VIII. SOME CONCLUSIONS AND FURTHER RECOMMENDATIONS

In attempting to synthesize the physical, economic, and social variables of housing abandonment, there is a tendency to focus on one or another aspect of the problem. Attempts to visualize the problem merely from an external point of view may lead to conclusions which are simply not adequate. Understanding of all sources of the housing abandonment problem is crucial at this time. Vacant, abandoned housing is a complicated phenomenon which must be approached by a variety of programs in order to achieve solutions to its multi-faceted effects upon the people, neighborhoods and cities in which it occurs.

In examining the five processes that lead to neighborhood decline and abandonment, effects of the physical, economic and social become easily identifiable in the VAC area:

- _____ physical deterioration
- _____ racial change
- _____ some type of conflict
- _____ waning confidence/interest
- _____ disinvestment

Discussion of the physical influences related to housing abandonment has indicated the importance of planning and community development in meeting housing-related needs. Important to this aim are identifying factors of area accessibility, physical structures, design, unit numbers, market values, racial and income change.

The economic support of an area which comprises a large number of newly-constructed homes is obvious. Land, location, and transportation are of prime consideration. Paradoxically, the VAC area appears to have all the necessary ingredients for providing stabilized employment opportunities as well as industrial relocation and expansion. Yet, these have not yet been accomplished.

Indications of the need for both physical and economic long-range planning for consistency in meeting area-wide goals may be further cited. For example, there are three or four areas in Pomona which have an abundance of unoccupied homes, while at the same time, there is a high demand for construction in Ontario, Chino, and Upland.

Also, the labor force in the VAC cities is predominantly blue-collar. Many of these workers commute to downtown Los Angeles, San Bernardino, Riverside, and Orange County cities. The obvious implication here is that such workers are spending money out of the VAC area. Adequate employment opportunities would be provided by additional industries in the VAC area and would increase revenue spending here.

Decidedly, social influences have been severely overlooked in their potential to effect change within the VAC area. The Civil Rights Movement of the late 1950's and early 1960's indirectly influenced the social patterns of acquiring property. Growing awareness engendered during that period of time culminated with people becoming re-educated in terms of expectation and access to equal rights. Tangible evidence of "getting into society's mainstream" was the purchase of a home. Financing became much more liberal, allowing the low-to-middle income, returning Korean-era vets, and minority population to purchase a home for the first time.

The middle-class homeowner who had been reared in the responsibilities of homeownership was relatively prepared for its financial contingencies. The low-income homeowner or young veteran, however, did not necessarily have inherent those values, attitudes and skills which effectively support the role of the able homeowner.

While provisions were made by the Federal Government for the ability to finance a home, adequate education and supportive assistance to retain the home were noticeably neglected.

Assuming the process of buying a home is operable on a beneficial cost basis for both the buyer and the selling agents, it would appear that there are certain social costs that could be paid to add incentives for the homeowner to retain the home against tenacious factors which appear to weaken their hold on the home. There are various ways this social cost could be incurred and put to good use.

It has been demonstrated that mortgage delinquency and pre-purchase counseling if administered effectively significantly deter and prevent foreclosures and abandonment. At the same time, these programs are presently unprovided for cost-wise in the home buying process. Consequently, it would seem logical for members of the real estate profession, mortgage lending institutions, VA, and FHA to provide funds for mortgage counseling services. Such a system would increase the incentives for mortgagors to retain their homes; provide incentives for mortgagees to assist mortgagors with mortgage payment problems; decrease incentives for realtors to unethically qualify persons unable to buy homes; and provide a more educational as well as a more functional channel for communication among all these agents for the benefit of all.

MAYORS' REPORT - VAC'S FOLLOW-UP

The following are recommendations contained in the previous Summary & Recommendation Report of the Greater Pomona Valley Mayors' Action Committee on Abandoned Housing with discussion of implementation, effectiveness and suggestions to further control the abandoned housing problem.

- A. That all cities enact and enforce ordinances to require maintenance of occupied and unoccupied property, and implement a surveillance system for abandoned houses.

The surveillance has been performed by Valley Association of Cities' staff along with increased awareness of staffs of VAC's participating cities and the institution by the City of Claremont of a neighborhood surveillance system.

- B. That the U. S. Department of Housing and Urban Development - Federal Housing Administration (HUD-FHA) should increase the required down payment for federally-insured and subsidized housing.

VAC involvement with the Section 235 Subsidy Loan Program, which requires a relatively low down payment, reveals that houses under this loan program comprise 10% of the abandoned stock in Pomona while the 203(b) Loan Program, requiring a higher down payment, resulted in houses which comprise 62% of the city's abandoned housing. It may be that only the 203(b) and the 221(d)2 programs should require higher down payments.

- C. That homeownership counseling be rendered to families with mortgage delinquencies, loan defaults or newly-purchased housing.

Although the Mayors' Report recommends that mortgage companies be required to "offer direct assistance to families who are delinquent and/or in danger of defaulting on their loans," (Mayors' Report,

Page 20), it would appear that a "disinterested" third-party agency would be more effective in providing such counseling. One aspect of the program of the Valley Association of Cities was designed in order to provide counseling for homeowners in the ten-city area. This counseling is maintained on an on-going basis through sponsorship of home management workshops and individual counseling sessions on an appointment basis.

- D. That government-insured repossessed homes be resold by the lending institution without reverting back to FHA; resales should be sold on an individual basis rather than solely on a bulk sales basis; and all valid offers for purchase of FHA housing should be responded to within ten days by FHA.

A problem engendered through this recommendation would be that if the lending institutions took over the property rather than its reverting back to FHA, a consequence could be that FHA would not insure homes and, as a result, many prospective homeowners would not be able to buy a house. One possibility is that FHA's insurance policies can be altered to accommodate such a contingency.

- E. That abandoned houses be transferred to cities for experimental programs such as urban homesteading, green-belting, development of community centers or mini-parks.

The Department of Housing and Urban Development has transferred one property to the City of Pomona for purposes of urban homesteading. The problem of a small number of properties being transferred is based on an intricate and difficult formula which HUD currently uses to assess and implement property transfer under its PROP criteria. This recommendation is ideal for utilizing properties

for the betterment of community life; however HUD's processing should be redesigned to facilitate easier property transfer. In addition, the City of Pomona received five HUD abandoned houses adjoining each other for the price of demolition and removal. This area is currently being designed for a neighborhood park with funds from Title I of the Housing and Community Development Act.

- F. That HUD assign an FHA Real Estate Specialist with jurisdiction to service all nine* Valley cities located in the two-county area.

At present, a Real Estate Specialist working out of HUD's Los Angeles office is working in the Los Angeles County VAC cities and a specialist from the Santa Ana office is assigned to VAC cities in San Bernardino County. The fact that each area office maintains different procedures leads to bifurcated methods and operations. However the consolidation of these two offices is not recommended because both offices (property disposition and acquisition and management) are functioning and performing very well in reselling their current inventory of foreclosed properties.

- G. That cities utilize HUD's Section 23 leased housing program for homes which are abandoned or require rehabilitation.

This recommendation has been implemented by the conversion of 75 such properties which are jointly administered by VAC and Los Angeles County Housing Authority for the City of Pomona.

**Nine cities were involved at the time the Mayors' Report was written.*

- H. That a Valley Association of Cities be established to implement the region-wide abandoned housing recommendations of a surveillance system, homeownership counseling, urban homesteading, Section 23 leased housing and maintenance of abandoned housing.

The Valley Association of Cities (VAC) has been functioning since July of 1974 in the areas described above, and its functioning is summarized on pages 18 and 19.

RECOMMENDATIONS FOR VAC AND OTHER
SIMILAR CITIES AND CONSORTIUMS

As done in the before-mentioned Mayors' Report this report includes certain recommendations which would continue to combat housing abandonment and to propose the future roles and functions for VAC. These are as follows:

VAC cities, through their national organizations and in conjunction with HUD, VA, lenders, realtors, state and county governments, develop a national comprehensive housing policy.

VAC become primary housing agent for VAC cities in the area of housing assistance, Section 8 programs, homesteading and be the administering agency for VAC cities which are, or intend to become, housing authorities.

VAC institute an area housing council for purposes of assuring its ongoing financial base, developing a model area-wide housing plan, and receiving a surcharge on future building permits not to exceed 1/20th of 1% from each of its participating cities.

VAC develop a model residential maintenance ordinance.

VAC establish a nationally-recognized homeownership counseling model and publish an evaluation report on its counseling program.

VAC develop a nationally-recognized urban homestead program model as a viable alternative to the reselling of abandonments.

VAC cities sponsor burglary prevention programs through their local police departments.

VAC support legislation or administrative policies/procedures which increase the likelihood that abandonments can be redeemed sooner by HUD/FHA and VA.

VAC next tackle the problem of abandoned or vacated apartment buildings by invoking its municipal withholding of tax credits prohibited to substandard abandonment conditions.

VAC undertake as its next research effort the investigation of the effects of recent HUD/FHA resale procedures.

VAC coordinate its functions with participating VAC cities having CETA manpower consortiums/agencies, thus discontinuing the need for its job finding referral services.

VAC cities affected by abandonment provide CETA personnel to federal/state agencies who are responsible for the disposition of abandonments.

VAC continue to work, cooperate, and meet with realtors and lenders through its Resale Facilitation Committee to permit the resale of HUD/FHA and VA abandonments.

VAC on behalf of its member cities continue to keep the number of HUD/FHA abandonments under 200 single-family residences for the entire VAC area.

VAC continue to lobby its political and administrative counterparts at the local, state, and federal levels to correct the problems of abandonments and inadequate housing.

VAC municipalities do what their budgets will allow to provide adequate recreation areas, sanitation-maintenance, employment opportunities, and a stable local property tax rate to areas of current or potential abandonment.

APPENDIX A: THE SECTION 235 HOMEBUYER

Between October 1970 and April 1973, some 239 new units were added to the housing stock in the VAC area under provisions of the Federal HUD/FHA Section 235 program. These units were distributed as follows:

NEW SECTION 235 HOMES IN VAC AREA

<u>City</u>	<u>Units</u>
Chino	13
La Verne	34
Montclair	13
Pomona	159
Unincorporated Area San Bernardino County	<u>20</u>
TOTAL	239

A field survey conducted revealed the following rates of abandonment for Section 235 tracts in these cities:

ABANDONMENT OF NEW SEC. 235 UNITS IN VAC AREA

<u>City</u>	<u>No. of New Sec. 235 Units Abandoned</u>	<u>Percentage of Total New Sec. 235 Units</u>
Chino	0	0%
La Verne	2	6%
Montclair	1	2%
Pomona	<u>22</u>	<u>11%</u>
TOTAL	25	19%

Even though this rate appears to be relatively low for areas outside Pomona, much concern has been expressed about the operation of the Section 235 program, so a discussion is in order.

A review of the tracts, taken individually, reveals that there is little difference among people attracted to the program, say, in Chino as opposed to those utilizing it in La Verne. One distinction between the tracts built in Pomona, as opposed to those in other areas, is that in Pomona the entire subdivision tract was sold under the Section 235 program, while in other tracts some mixture of programs was necessary because of the difficulty of getting Section 235 money. It is uncertain what impact this may have had on abandonment. It is possible that the concentration of large numbers of Section 235 homes in a single tract may be of significance. The tracts in Pomona contain 71, 30, and 58 houses respectively.

HOMEBUYER CHARACTERISTICS

Almost three quarters of the families (74%) had five or more members residing at home. Relatively few families had female heads of household (16%). A wide range of occupations was represented, including both blue collar and white collar classifications. Although Section 235 is often stigmatized as "welfare housing," in fact, less than one fifth (18%) of the families participating in the program in the VAC area were receiving "welfare" payments when they bought their houses. An additional number were receiving disability payments and social security.

It is a common misconception that people can move into Section 235 houses for "nothing." In fact the buyer does not make a down payment on the price of the house, but in no case studied did the buyer pay less than \$300 at the close of escrow. This is still less than is usual for typical home purchase, but with the subsidized interest rate available under the program the owner builds equity at a faster rate than one using the usual programs.

Almost all the buyers experienced an increase in housing costs when moving into new Section 235 homes. More than four out of five (92%) had an increase of over \$25 in monthly costs. Curiously, there does not appear to be any relationship between this increase and a tendency to abandon.

A majority of the owners (62%) moved into the new houses from locations within the VAC area. It does not appear that the construction of these homes served to draw buyers from long distances. Nevertheless, almost half (49%) moved into homes which were further away from their jobs than their previous residence. For this group, at least, it was the availability of housing rather than the proximity to jobs which attracted them.

In spite of the controversy regarding the Section 235 program a recent preliminary report* on the following page, regarding the feasibility of success with this program (if administered properly) indicates that it is possible for lower income families receiving aid to function successfully as homeowners. This is substantiated by delinquency records from two pilot programs, The San Francisco Buyer's Agent program from 1972-1974 and the Ford-Oakes Foundation from 1966-1968. The following tables indicate the degree of delinquency compared with delinquency rates from Mortgage Broker's Association statistics:

*Source: (Tables A & B)

TABLE A*

	<u>Number of Loans</u>	<u>PERCENT OF LOANS WITH INSTALLMENTS PAST DUE</u>			
		<u>All</u>	<u>One Month</u>	<u>Two Months</u>	<u>Three Months</u>
Buyer's Agent Program, Section 235 Loans as of 8/31/74	303	6.93%	5.28%	0.99%	0.66%
FHA 235 and 237* Loans in Calif. as of 9/31/74	15,938	15.44%	9.88%	3.31%	2.25%

*Section 237 was less than 1% of the total.

Thus the amount of reduction in delinquencies if all Section 235's had been administered according to the Buyer's Agent Program would have been as follows:

TABLE B*

	<u>NUMBER OF DELINQUENCIES</u>		
	<u>One Month</u>	<u>Two Months</u>	<u>Three Months</u>
The actual numbers of delinquencies were:	1,575	528	359
If delinquencies had been at the rate of those in the Buyer's Agent Program, the numbers would have been:	842	158	105
And the percentage reduction in delinquencies would have been:	47%	70%	71%

*Source: California Housing Program, San Francisco Development Fund, San Francisco, Calif., 1975

As indicated here the larger percentage spread of loans delinquent after one month versus loans delinquent after two months may be attributed to unstable economic conditions and emergency situations which may cause the borrower to miss one month's payment. The report compares these statistics, as well as those of a conventional lender in the Buyer's Agent Program, who had 34 of Section 235 loans and 1,219 conventional loans:

TABLE C*

BUYER'S AGENT PROGRAM

	<u>Loans</u>	<u>Delinquency</u>	<u>Foreclosed</u>
235	34	0	0
Conventional	<u>1,219</u>	<u>132</u>	<u>29</u>
TOTAL	1,253	132	29

A follow-up study of 97 out of the 104 families which was conducted in 1970 showed:

- . Wage rates and monthly earnings continued to be select in that the monthly earnings of the husband increased more rapidly than those of the general occupation groups in the San Francisco-Oakland metropolitan area.
- . High potential experimental families bought more houses than did corresponding controls (significant level of 10%).
- . Experimental families lived in better housing than did the controls.
- . Foreclosure rates from the end of the program to the time of follow-up remained at zero.
- . Home-buying patterns between the two groups which showed distinct differences mainly attributed to counseling were:

**Ibid.*

- _____ experimental group paid lower median down payments (\$1,025 versus \$2,146)
- _____ experimental group had a lower proportion of owners whose monthly payment exceeded 25% of their monthly income (28.5% versus 36%)
- _____ experimental families living in standard housing versus substandard were significantly greater than those in the control group (significant level was 5%).

The conclusion of experiments suggested that an improved pre-indicator of long-term success in homebuying would include:

- 1) extensive screening for families
- 2) an eligibility interview scoring strength of:
 - a) home-ownership desire
 - b) family potential
 - c) income factors followed by
- 3) a credit analysis of those with acceptable scores
- 4) attendance at six home ownership training classes covering: purchase process, legal aspects of ownership, home maintenance and money management.

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